



Press Release
BHOPAL MUNICIPAL CORPORATION
December 23, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	88.00	ACUITE A+ Stable Reaffirmed	-
Non Convertible Debentures (NCD)	175.00	ACUITE AA Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	263.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA**' (read as **ACUITE double A**) on the Rs.175.00 crore Non-Convertible Debentures of Bhopal Municipal Corporation (BMC). The outlook is '**Stable**'.

Acuite has also reaffirmed the long-term rating of '**ACUITE A+**' (read as **ACUITE A Plus**) on the Rs.88.00 crore bank loan facility of Bhopal Municipal Corporation (BMC). The outlook is '**Stable**'.

Rationale for rating

The reaffirmation of the rating factors in the improving operating performance of the corporation and strategic benefits it derives from Bhopal city's status as an administrative capital of Madhya Pradesh State. Further, rating factors the continued support the corporation receives in the form of revenue and capital grants from the state and central govt for implementation of projects under various schemes Like AMRUT. Furthermore, rating of NCDs continues to derive comfort from the structured payment mechanism including DSRA, Interest Payment Account and Sinking Fund Account. The rating reaffirmed on the term loan availed for setting up the solar power and wind power project is supported by presence of DSRA and escrow account mechanism. However, the rating continues to be constrained by the elevated level of receivables of BMC.

About the Company

Incorporated in 1907, Madhya Pradesh based Bhopal Municipal Corporation is responsible for the civic infrastructure and administration of the city of Bhopal. BMC is headed by the Mayor Mrs. Malti Rai, Mr. Harendra Narayan (Commissioner), Mr. Gourav Benal (Additional Collector, Indore District), Mr. Gunvant Sevatar (Compliance Officer, Additional Commissioner Finance (Finance)).

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Bhopal Municipal Corporation to arrive at the rating. Further, the rating of NCDs factors in presence of adequate DSRA along with T-n structure mechanism.

Strengths

Strategic benefits from state of Bhopal and support from the government

BMC provides civic services to Bhopal, the capital of Madhya Pradesh and an administrative hub housing major state offices. The city attracts investments across sectors, supported by around 1,044 small and medium industries and large firms like BHEL and DB Corp. The city comprises old and new areas, with the former hosting industries such as electrical goods, chemicals, and cotton, while Mandideep serves as another industrial hub with companies like HEG and Lupin Laboratories. These economic activities generate significant employment, driving higher per capita income Rs 65,023 in FY2022-23 and Rs 1,42,565 in FY2023-24 benefiting BMC's cash flows. Identified under the AMRUT mission, Bhopal aims to improve water, sewerage, amenities, and pollution control. Further, to develop the infrastructure, BMC authority receives financial and operational support from the central and state government.

Improving operating performance

The operating revenue of BMC stood at Rs. 1383.45 Cr. in FY2025 as compared to Rs.1206.64 Cr. in FY2024 posting a growth of 14.65 percent on account of increase in collection of taxes and revenue grants & subsidies. With the augmentation in scale of operations, BMC's surplus (operating margin) stood at Rs. 381.84 Cr. in FY2025 as compared to Rs.226.37 Cr in FY2024 posting a growth of 68.68 percent on account of improving revenue collection and reduction in overhead expenses (majorly repair & maintenance). However, the net margin in FY2025 dipped but stood healthy at 7.72 percent as compared to 8.10 percent in FY2024 on account of increase in finance cost and depreciation primarily from interest on municipal bonds and depreciation on AMRUT assets which were capitalized till FY2024. Going forward, power cost saving on account of installation of captive solar and wind project by FY26-27 is expected to result in further improvement in operating margins and shall be a key rating monitorable.

Healthy financial risk profile

The financial risk profile of the corporation is healthy marked by strong net worth, low gearing, and healthy debt protection metrics. The net worth of BMC stood at Rs. 5029.12 Cr.as on March 31, 2025, increased from Rs. 4902.64 Cr. as on March 31, 2024 on account of accretion to reserves and grants received from state as well as central govt. The gearing level of BMC remains low at same level i.e. 0.05 times for three years ended as on 31 March 2025 depicting a conservative leverage policy employed by the corporation. The interest coverage ratio (ICR) and debt service coverage ratio of the corporation stood healthy at 15.05 times and 9.68 times respectively as on March 31,2025 (19.46 times &7.26 times as on March 31,2024).

Presence of DSRA and structured payment mechanism

The NCDs are supported by presence of an escrow account, debt service reserve account (DSRA) equivalent to one-year's interest payments (i.e. equal to two semi annual interest payments), interest payment account (IPA) and sinking fund account (SFA). Also, there is a presence of T-n structure on NCDs to cover shortfall, if any, prior to 15 days (T-15 days) of the interest or principal payment day. Further, on the term loan, the corporation maintains DSRA of 3 months interest and principal repayment of the term loan obligation. Also, in the escrow account, waterfall mechanism is defined for servicing the debt obligations.

Weaknesses

Significant buildup in receivables

The receivables of the corporation have remained high resulting in a significant buildup of receivables which stood at Rs 1010.22 Cr (375 days) as on 31 March 2025 (Rs 902.07 Cr (345 days) as on March 31,2024).

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

The presence of structured and waterfall mechanism entailing maintenance of an Escrow Account, Debt Service Reserve Account (DSRA), Interest Payment Account (IPA), and Sinking Fund Account (SFA) ensures timely repayment of debt in a regular course of business as well as in stress scenarios.

Rating Sensitivities

- Higher-than-expected collections along with an improvement in margins
- Significant increase in debt obligations impacting the financial risk profile
- Continued elongation in debtor position

All Covenants

Key covenants for the Term Loan:

DSRA to be maintained towards 3 months interest and principal repayment of the term loan.

Financial Covenant of the NCDs

- DSRA for the BMC will not be less than 1x times of operating surplus.
- The total amount collected in escrow account shall be atleast 1x times of the Debt Service Amount on an annual basis. In case , the ratio falls below 1x times, BMC shall not ,without the prior approval of the debenture trustee, borrow any further amount against the cashflow of the escrow account.
- BMC shall not borrow any further funds against the cashflow of the Escrow account. In case there is shortfall in contribution to IPA, SFA or DSRA and the shortfall has not been made good by BMC.

Liquidity Position

Strong

BMC has strong liquidity marked by healthy net cash accruals of Rs. 386.64 Cr. as on March 31,2025 as against total repayment obligation of Rs. 15.29 Cr. over the same period. Going forward, the net cash accruals coupled with grant support from central and state govt is expected sufficient to meet the debt obligations of Rs ~66.00 Cr in FY2025-26 & FY2026-27. The current ratio stood healthy at 1.78 times as on March 31,2025. The liquidity remains healthy supported by healthy cash and bank balances of BMC stood at Rs. 623.15 Cr as on March 31, 2025. Also, the outstanding balance of the DSRA and Sinking Fund account as on Sep 30,2025 stood at Rs 23.69 Cr and Rs 131.21 Cr respectively provides additional cushion for servicing debt obligations.

Outlook-Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	1383.45	1206.64
PAT	Rs. Cr.	106.76	97.70
PAT Margin	(%)	7.72	8.10
Total Debt/Tangible Net Worth	Times	0.05	0.05
PBDIT/Interest	Times	15.05	19.46

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Urban Local Bodies : <https://www.acuite.in/view-rating-criteria-57.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Dec 2024	Term Loan	Long Term	88.00	ACUITE A+ Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	100.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	50.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE AA Stable (Reaffirmed)
17 Jun 2024	Term Loan	Long Term	88.00	ACUITE A+ Stable (Assigned)
	Non-Convertible Debentures (NCD)	Long Term	100.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	50.00	ACUITE AA Stable (Reaffirmed)
07 Jun 2024	Non-Convertible Debentures (NCD)	Long Term	50.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	100.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE AA Stable (Reaffirmed)
20 Dec 2023	Non-Convertible Debentures (NCD)	Long Term	100.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	50.00	ACUITE AA Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE AA Stable (Reaffirmed)
20 Dec 2022	Non-Convertible Debentures (NCD)	Long Term	175.00	ACUITE AA Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE01OI24013	Non-Convertible Debentures (NCD)	26 Sep 2018	9.55	26 Sep 2028	100.00	Simple	ACUITE AA Stable Reaffirmed
Not Applicable	INE01OI24013	Non-Convertible Debentures (NCD)	26 Sep 2018	9.55	26 Sep 2028	50.00	Simple	ACUITE AA Stable Reaffirmed
Not Applicable	INE01OI24013	Non-Convertible Debentures (NCD)	26 Sep 2018	9.55	26 Sep 2028	25.00	Simple	ACUITE AA Stable Reaffirmed
BANK OF MAHARASHTRA	Not avl. / Not appl.	Term Loan	14 Aug 2023	Not avl. / Not appl.	14 Aug 2038	88.00	Simple	ACUITE A+ Stable Reaffirmed

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