

Press Release
DEWAS MUNICIPAL CORPORATION
February 21, 2025
Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.43	ACUITE C Downgraded	-
Bank Loan Ratings	9.57	ACUITE D Downgraded	-
Total Outstanding Quantum (Rs. Cr)	57.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE D (read as ACUITE D)**' from '**ACUITE A² (read as ACUITE A Minus)**' on the Rs. 9.57 crore bank facilities of Dewas Municipal Corporation (DMC). Further, Acuite has also downgraded the long term rating to '**ACUITE C (read as ACUITE C)**' from '**ACUITE A (read as ACUITE A)**' and '**ACUITE A² (read as ACUITE A Minus)**' on the Rs. 47.43 crore bank facilities of Dewas Municipal Corporation (DMC).

Rational for Rating Downgrade

The rating downgrade is on account of recurring instances of delays observed in the principal and interest servicing of term loan, as reflected in the bank statements.

About the Company

Dewas Municipal Corporation (DMC) located in the west central part of Madhya Pradesh founded in 1982 services an area of 65 square kilometres. The total population of Dewas is around 2.90 lakh people spread across 45 wards. The corporation provides key obligatory services such as roads and bridges water supply and sanitation drainage and sewerage public health solid waste management and primary education. It also offers discretionary services such as public transportation. The Commissioner of the corporation is Mr. Rajneesh Kasera SAS, Chairman is Mr. Ravi Jain and Mayor is Mrs. Geeta Durgesh Agrawal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of DMC to arrive at this rating

Key Rating Drivers

Strengths

Established industrial centre in western central Madhya Pradesh

Dewas, a leading industrial centre situated on the Malwa plateau in the West-central part of Madhya Pradesh, about 160 km south west from state capital, Bhopal, is known as the Soya capital of India and is a major part of the soya bean processing industry in the country. Dewas is the hub of various industries like textile, pharmaceutical, automobile and agri-based industries, among others. Some of the major companies in the automobile industry include TATA, Gabriel India Limited, Gajra Gears, to name a few. Apart from this there are other major sectors like textile (Arvind Mills, S Kumar), Pharma (Ranbaxy Labs), metal (Steel Tubes of India Limited), chemical (Navin Fluorine International Limited) and agri-based (Ruchi Soya Limited). Further, Dewas also holds India's Bank Note Press, an industrial unit of the Government of India, the Ministry of Finance and the Department of Economic Affairs. Except for DMC's coverage of water supply which stood at 95 percent of the benchmark all its service coverage ratios stood as per the benchmarks. Sewerage and piped water supply coverage remained at 100 percent, while there is scope for improvement in terms of basic amenities coverage. Dewas has been identified

one of the cities under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) mission. The purpose of AMRUT is to ensure every household to have access to tap water and sewerage connection, increase the amenity value of cities, and reduce pollution in the city.

Weaknesses

Delays in debt servicing of term loan

There are continuous delays in servicing of a term loan as evident in the term loan account statements for past one year. The delays in the term loan interest and principal servicing are due to elongation in the tax collections by DMC.

DMC is maintaining DSRA equivalent to one month instalment in other term loan, the DSRA was liquidated in the month of Feb/March 2024 on account of delays in receivables, however the same was replenished within the due date. Acuite believes that, without adequate structure in DSRA and ongoing elongation in tax receivables, likely to put pressure on the liquidity profile of the DMC.

Higher buildup in receivables

DMC has higher buildup in receivables as reflected by high debtor days of 318 days for FY24 against 321 days for FY23. Earlier, DMC used to track its tax collection on a manual basis and since FY22, DMC started using GPS technology which has led to surge in the taxable lands and increase property tax collections. DMC has accounted for the legacy pending receivables for the new identified taxable lands. However, collections of this receivables remained moderate with the demand raised which led to elevation in receivables.

Stabilization in revenues; however, profitability declined

The total operating income of DMC in FY24 stood rangebound at Rs. 148.92 crore as against Rs. 146.87 crore in FY23. The revenues majorly include tax revenues, rental income from municipal properties assigned revenues & compensation and also revenue grants, contributions & subsidies from government of Madhya Pradesh. Despite marginal improvement in the revenue, the EBITDA margin of DMC significantly increased to 25.26 percent in FY24 compared to 19.34 percent in FY23 majorly on account of decrease in the operational expenses. However, the corporation reported Profit after Tax (PAT) of Rs. 0.36 crore in FY24 against Rs. 3.08 crore in FY23. The decline in PAT is led by increase in depreciation expenses. The net cash accruals of DMC increased to Rs. 35.86 crore in FY24 as against Rs. 26.49 crore in FY23.

Rating Sensitivities

- Timely interest and principal servicing of term loans facilities.

Liquidity Position Stretched

The liquidity position of DMC is stretched marked by recurring instances of delays observed in the principal and interest servicing of term loans due to elongation in tax collections.

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	148.92	146.87
PAT	Rs. Cr.	0.36	3.08
PAT Margin	(%)	0.24	2.10
Total Debt/Tangible Net Worth	Times	0.06	0.06
PBDIT/Interest	Times	11.63	8.79

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>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.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	
30 Nov 2023	Term Loan	Long Term	30.00	ACUITE A	Stable (Reaffirmed)
	Term Loan	Long Term	14.62	ACUITE A-	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	12.38	ACUITE A-	Stable (Reaffirmed)
01 Sep 2022	Term Loan	Long Term	30.00	ACUITE A	Stable (Reaffirmed)
	Term Loan	Long Term	14.62	ACUITE A-	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	12.38	ACUITE A-	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	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.10	Simple	ACUITE C Downgraded (from ACUITE A-)
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	21.33	Simple	ACUITE C Downgraded (from ACUITE A)
Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	25 Jun 2028	9.57	Simple	ACUITE D Downgraded (from ACUITE A-)

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About Acuité Ratings & Research

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