

## Press Release

### Lucknow Municipal Corporation

April 13, 2020



#### Rating Withdrawn

<b>Bond Programme*</b>	Rs. 200.00 Cr.
<b>Long Term Rating</b>	ACUITE AA Provisional (CE) (Withdrawn)

\* Refer Annexure for details

#### Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE AA Provisional (CE)**' (**read as ACUITE double A Provisional (Credit Enhancement)**) on the Rs.200.00 crore proposed bond of LUCKNOW MUNICIPAL CORPORATION (LMC).

The rating is being withdrawn on the request of the client further Acuité takes the note that the entity has not utilized the rating for the extended provisional period and the withdrawal of the rating is according to Acuité's withdrawal policies.

Lucknow Municipal Corporation, constituted in 1960, services an area of 350 square kilometres. The total population of Lucknow is around 28.2 lakh (as per 2011 census) spread across 110 wards. The corporation provides key obligatory services such as roads and bridges, public health, solid waste management, and education. It also offers discretionary services such as public transportation. LMC has another integral arm, Jal Kal Vibhag Lucknow Municipal Corporation. This department provides key obligatory services such as water supply, sanitation, drainage and sewerage. The water and sewerage taxes are also collected under Jal Kal Vibhag Lucknow Municipal Corporation.

#### Strengths

##### Benefits from Lucknow's status as an Administrative and Political Capital of Uttar Pradesh

Lucknow Municipal Corporation (LMC) provides civic services to Lucknow city, the administrative and political capital of Uttar Pradesh, the largest state of the country. Being a capital city of a state with significant political importance, Lucknow is a base for all major state government offices. As a centre for major decision making, Lucknow has enhanced ability to attract investments from wide range of sectors. Lucknow city is located in the eastern part of Uttar Pradesh, and is the hub of various small, medium and large scale industries like handicraft (Chikan embroidery and Zardosi), aeronautics, machine tools, distillery chemicals and furniture. Lucknow city is also a major centre for research and development. A few large scale companies located in and around Lucknow include Hindustan Aeronautics Limited (HAL), Tata Motors Ltd., and Scooters India Limited among others. Lucknow is also the headquarter for Small Industries Development Bank of India (SIDBI). Major research and development centers in Lucknow are Central Drug Research Institute (CDRI), National Botanical Research Institute (NBRI), Council of Scientific and Industrial Research (CSIR) and Indian Institute of Toxicology Research (IITR). Further, Lucknow is a growing IT hub with software and IT companies resident in the city including HCL Technologies, Tata Consultancy Services, to name a few. Acuité believes the significant employment opportunities generated by varied range of industries located in and around Lucknow is expected to lead to higher per capita income which augurs well for LMC. LMC's surplus stood at Rs.55.92 crore for FY2019 (PY: Rs. 26.45 crore). Besides the owned revenues, LMC has been a recipient of continuous support from the government in the form of grants. The moderate coverage ratios inhibit its ability to scale up its owned revenue over the near to medium term. However, the support from State and Central Government by way of Grants is expected to continue in coming years which will be critical to maintain the pace of capital expenditure necessary to bring the coverage ratios to the benchmark levels as envisaged under AMRUT scheme. Lucknow has also been identified as one of the cities under Atal Mission for Rejuvenation and Urban Transformation (AMRUT). 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. Along with being an AMRUT city, Lucknow is also one of the 100 cities selected for the SMART City project. Acuité believes that LMC will continue to benefit significantly from its pivotal position as the capital city of largest state (by population) in the country. Since the ongoing support from state government will be critical for maintaining of a stable credit profile, the credit rating of GoUP will also be a key monitorable.

### Significant Buildup in Receivables

The debtors position as on 31 March, 2019 stood at Rs.625.83 Cr. as compared to Rs. 607.01 Cr. as on 31 March, 2018 i.e. 651 days for FY19 (previous year 558 days). The debtors outstanding as on March 31, 2019 mainly pertain to past accumulated overdues in property taxes and the same has been increasing on Y-O-Y basis. Acuité believes LMC's ability to ensure timely collection of its owned revenues and recovery of its past receivables will be key credit monitorable.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Revenue Receipts	Rs. Cr.	921.37	939.89
Surplus/Deficit	Rs. Cr.	55.92	26.45
Total Debt	(%)	13.41	NA
Interest coverage ratio	Times	9145.25	2576.64

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities in Service sector- <https://www.acuite.in/view-rating-criteria-50.htm>
- Explicit Credit Enhancements - <https://www.acuite.in/view-rating-criteria-49.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
10 Oct, 2019	Proposed Bond	Long-Term	200.00	ACUITE AA Provisional (CE) / Stable (Reaffirmed)
07 Feb, 2019	Proposed Bond	Long-Term	200.00	ACUITE AA Provisional (CE) / Stable (Reaffirmed)
30 Jan, 2019	Proposed Bond	Long-Term	200.00	ACUITE AA Provisional (CE) / Stable (Assigned)

\*With one-way full convertibility from LC/LoC/Buyers' Credit to Cash Credit and not-vice versa

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Bond	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE AA Provisional (CE) (Withdrawn)

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**About Acuité Ratings & Research:**

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