

Press Release

Nagar Nigam Ghaziabad

May 31, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs.150.00 Cr.
Long Term Rating	Provisional ACUITE AA (CE) (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long term rating of '**Provisional ACUITE AA (CE)**' (read as **Provisional ACUITE double A (Credit Enhancement)**) on the Rs. 150.00 Cr. Proposed Bond of Nagar Nigam Ghaziabad (GNN).

The rating being withdrawn is in line with Acuite policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company.

Nagar Nigam Ghaziabad (GNN), founded in 1994, services an area of 210 square kilometres, inhabited by around 31 lakh people in and around 100 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 Nagar Nigam Ghaziabad is divided into five administrative zones namely City Zone, Kavi Nagar Zone, Vijay Nagar Zone, Mohan Nagar Zone and Vasundhara Zone.

Standalone (Unsupported) Rating

ACUITE A+

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GNN to arrive at the rating while factoring in the availability of Infrastructure Development Fund for meeting the shortfall in the cash flow for meeting the debt obligations.

Key Rating Drivers

Strengths

• Benefits emanating from the high growth prospects of NCR region

GNN provides civic services to Ghaziabad city, the part of Uttar Pradesh. Ghaziabad is part of National Capital Region (NCR) and also the second largest industrial area in Uttar Pradesh. Ghaziabad is also a major defense centre, and the Air Force operates from Hindon Airbase. It is one of the biggest and largest air base in Asia and 8th largest in the world. The region has a well-balanced mix of industries like Chemicals, Mechanical Engineering Equipment, and Packaging Material among others. The city has more than 14,000 small scale industries and around 150 medium and large scale industries in and around Ghaziabad. With the total investment of more than Rs.3000 crore, these industries have generated employment for more than 100,000 workers. The major industries present in and around Ghaziabad are Reliance Foods & Protiens Private Limited, Hindustan Coca-Cola Bottling North-West Private Limited, International Tobacco Company Limited and Dabur India Limited to name a few.

The cost of living in Ghaziabad is lower as compared to Delhi and Gurugram, there has been an uptick in the demand for affordable housing in the city. While the owned revenue base of GNN has been moderate at Rs.116.91 crore for FY2019 (vis-à-vis other municipal corporations like Lucknow Municipal Corporation, Indore Municipal Corporation and Bhopal Municipal Corporation). The key factor favoring GNN are the significant infrastructural projects being executed in and around Ghaziabad which is expected to provide a significant impetus to the economic activities and growth in Ghaziabad region.

Some of the key developments taking place in Ghaziabad are improving the connectivity between Delhi NCR and Ghaziabad, widening of NH24 from Delhi to Meerut which will significantly help reduce the traveling time, there are two more metro lines coming up in Ghaziabad. Under UDAAN Scheme, the

Hindon Airport (currently used by Air Force) is likely to open for civil operation. As per the survey conducted by Ministry of Housing and Urban Development, Ghaziabad is ranked amongst the best city in Delhi NCR in Liveability Index and 46th Rank in India. Acuite believes the significant employment opportunities generated by varied range of industries located in and around Ghaziabad and major infrastructural developments taking place in and around the city is expected to lead to higher per capita income which augurs well for GNN.

Acuite believes that GNN will continue to benefit significantly from developments as regards of improving the infrastructure in and around the city. Since the proposed support from state government will be critical for maintaining of a stable credit profile, the credit rating of UP government will also be a key monitorable.

Weaknesses

• Significant buildup of receivables

In FY2020, the Debtors position of GNN has further declined marked by debtor levels of Rs. 365.11 crores as on 31 March, 2020 as compared to Rs.281.79 crore as on 31 March, 2019 i.e. 1008 days for FY2020 (previous year 777 days). The key concern here is that in addition to property and water taxes receivable, the debtors mainly pertains to accumulated receivables from State Government. Acuite believes that any significant build-up in receivables beyond existing levels will be a key rating sensitivity factor.

Liquidity position: Adequate

GNN has been generating revenue surplus over the past three years with a range of Rs.98 crore. While the flow of grants from the government has been robust, the high buildup of receivables continues to be an area of concern. Since GNN is debt free at present, it has a reasonable financial flexibility. The cash and bank balance of GNN stood at Rs.315 crore as on 31 March 2020. GNN will be eligible for the funds from IDF thus giving a further liquidity for servicing of the bond.

Rating Sensitivities

- None

Material Covenants

- None

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Revenue Receipt	Rs. Cr.	451.76	420.12
Surplus / Deficit	Rs. Cr.	98.81	98.14
Total Debt	Rs. Cr.	NA	NA
Interest Coverage Ratio ((Surplus/Deficit + Interest)/Interest)	%	NA	NA

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Urban Local Bodies - <https://www.acuite.in/view-rating-criteria-57.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Criteria for Rating Based on Explicit Credit Enhancement (CE) - <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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
03-Feb-2020	Proposed Bond	Long term	150.00	Provisional ACUITE AA (CE) / Stable (Reaffirmed)
20-Mar-2019	Proposed Bond	Long term	150.00	Provisional ACUITE AA (CE) / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Proposed Bond	Not Applicable	Not Applicable	Not Applicable	150.00	Provisional ACUITE AA (CE) (Withdrawn)

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About Acuité Ratings & Research:

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