



Press Release
PRAYAGRAJ NAGAR NIGAM
June 16, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
BOND	50.00	ACUITE AA Stable Assigned Provisional To Final	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has converted the provisional rating on the Rs. 50 Cr. bonds of Prayagraj Nagar Nigam (PNN) to final and assigned the long term rating of ‘**ACUITE AA**’ (read as **ACUITE double A**). The outlook is ‘**Stable**’.

Rationale for Rating

The final rating has been assigned on the account of receipt of following documents:

1. Debenture trustee deed
2. Escrow agreement
3. Placement memorandum
4. Final term sheet (part of Placement memorandum)
5. Tripartite agreement with GoUP
6. Deed of hypothecation.

The rating further takes into consideration the consistent support from both the state and central government towards development of the city, it’s stable revenue income and healthy cash surplus. Uttar Pradesh continues to solidify its position on the global tourism map, with the number of tourists visiting UP in 2024 was 64.9 crores. After Varanasi, Prayag Raj attracted the highest number of tourists in Uttar Pradesh last year. The rating further factors Prayagraj’s status as Judicial capital of Uttar Pradesh. Also, rating derives comfort from the structured payment mechanism including DSRA, Interest Payment Account and Sinking Fund Account. However, the rating to be constrained by the elevated level of receivables of PNN.

About the Company

Prayagraj Nagar Nigam (PNN) is the chief municipal body of Prayagraj city. Its Jurisdiction encompasses an area of approximately 365 sq. km and it has a population of about 1.2 million as per the 2011 Census. PNN is one of the largest corporations in the state of Uttar Pradesh. Prayagraj Nagar Nigam (PNN) established in 1994. The company is responsible for the civic infrastructure and administration of the city. Shri Gaurav Kumar is the Chief Development Officer, Shri Vijay Vishwas Pant is the Divisional Commissioner, Shri Navneet Singh Chahal is the District Magistrate and Shri Chandra Mohan Garg is the Commissioner of the city. The registered office of the company is in Uttar Pradesh.

Unsupported Rating

ACUITE A/Stable

Analytical Approach

Acuite has standalone business and financial risk profiles of Prayagraj Nagar Nigam (PNN) to arrive at the rating.

Key Rating Drivers

Strengths

Benefits from Prayagraj's status as the Judicial Capital of Uttar Pradesh

PNN is a governing civic body and provides civic services to Prayagraj city, it is responsible for the civic

infrastructure and administration of the city. As of 2011, Prayagraj is the seventh most populous city in the state, thirteenth in Northern India and thirty-sixth in India, with an estimated population of 1.2 million in the city. In 2011, it was ranked the world's 40th fastest-growing city. The city, in 2016, was also ranked the third most liveable urban agglomeration in the state (after Noida and Lucknow) and sixteenth in the country. The administrative section of PNN is headed by the Municipal Commissioner under whom currently three Additional Municipal Commissioners are deputed. The political section of the PNN is constituted of an elected mayor and 100 ward members for a term of five years. The city is divided into wards according to its population, and representatives are elected from each ward. The significant employment opportunities, generated as a result of the economic activities in and around Prayagraj, has led to higher per capita income. Besides being one of the largest city of Uttar Pradesh, Prayagraj has been identified as one of the cities under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) mission. The purpose of AMRUT is to ensure every household has access to tap water and sewerage connection, increase the amenity value of cities, and reduce pollution in the city. Acuité believes that adequate financial and non-financial support from State and Central Government will be made available to PNN for maintaining civic infrastructure at healthy levels under AMRUT mission. PNN has access to revenue grants and capital Grants from State Government and Central Government.

Structured Payment Mechanism

PNN books revenue to various income sources out of which Property tax shall be deposited every month in a separate no-lien Escrow account for debt servicing of the bonds. The funds should be first utilized to meet the Minimum Balance in Escrow Account which entails maintenance of a Debt Service Reserve Account (DSRA), Sinking fund Account(SFA) and Interest Payment Account (IPA) The minimum balance shall not be used for any purpose other than transfer to the DSRA, IPA and SFA.

Terms of the Bonds

- The DSRA shall be created in an any event prior to seven days with an amount equivalent to the four coupon payments (2 years' interest) need to be maintained.
- The funds (Owned Revenue) received in the Escrow Account will be transferred to IPA and SFA on a monthly basis as per the terms of the bond.
- As regards the interest payments (expected to be half yearly), the IPA will be funded on a monthly basis.
- SFA, which shall be funded monthly equivalent to the amount as per the terms of bond issuances.

IPA (Interest Payment Account)

An amount, as specified in the terms of bonds/loans agreements, will be transferred to IPA from Escrow Account on a monthly basis. The debenture trustee shall check the amount in IPA at least 25 (T-25) days prior to the interest payment date. In case of any shortfall in the amount the trustee shall intimate the PNN of the shortfall and PNN shall cover the shortfall prior to 10 days (T-10 days) of the interest payment day. If the corporation fails to cover the shortfall at 09 days (T-09 days) prior to interest servicing day, then the trustee will instruct the bank to transfer the deficit from DSRA to IPA at 08 days (T-08 days) prior to the interest servicing day. In case the DSRA Amount (or part thereof) is utilized to fund the shortfall in the amount required to make payment of the Coupon in respect of any Coupon Payment Date, immediately after the Debenture Trustee has instructed the Bank to utilise the DSRA Amount as above and in any event prior to 7 (Seven) days prior to the relevant Coupon Payment Date (T-7). The Debenture Trustee would issue a notice in writing to the Issuer (and the GoUP shall be informed of the same, by the Debenture Trustee marking a copy of such notice to the GoUP).

SFA (Sinking Fund Account)

The debenture trustee shall check the amount in SFA at least 25 (T-25) days prior to end of each 12-month block. In case of any shortfall in the amount the trustee shall intimate the PNN of the shortfall and PNN shall cover the shortfall prior to 15 days (T-15 days) prior to end of each 12 months' block. If the corporation fails to cover the shortfall at 14 days (T-14 days) prior to end of each 12 months' block, then the trustee shall trigger the payment mechanism and issue a notice to the Issuer (and the GoUP shall be informed by marking a copy to the GoUP). On the issuance of such notice, the GoUP shall remit funds to fund the shortfall into the Sinking Fund Account prior to the end of each 12 Month Block (T). The redemption shall be made by the Issuer on the relevant Redemption Dates.

Weaknesses

Significant buildup of receivables

The debtors position as on 31 March, 2025 stood at Rs. 223.76 Cr. i.e. 333 days against Rs. 281.70 Cr. as on 31 March, 2024 i.e. 469 days. Acuité believes that any significant build-up in receivables beyond existing levels will be a key rating sensitivity factor.

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)

GoUP has created a policy for utilisation of the funds in the Infrastructure Development Fund (IDF) for credit enhancement and other needs of local bodies to promote/ incentivise issuance of municipal bonds. Pursuant to the

Governmental Order, the Issuer has approached the GoUP for entering into the Tripartite Agreement with the Debenture Trustee and the Issuer in respect of the Debentures, for agreeing and covenanting to make payment of funds from the Infrastructure Development Fund in terms of such agreement:

- a) into the Interest Payment Account on the occurrence of a DSRA Amount Shortfall,
- b) into the Sinking Fund Account on the occurrence of a Sinking Fund Mismatch.

The GoUP shall make payment of such amounts as may be required to make good any DSRA Amount Shortfall. In case the DSRA Amount lying in the Interest Payment Account is utilized to fund the shortfall in Interest Payment Account at the time of the Coupon payment, the GoUP shall remit the funds (to the extent that the DSRA Amount utilized to fund the shortfall in the Interest Payment Account for meeting the Coupon payment on such Coupon Payment Date) to replenish the Required DSRA Amount, in terms of the Tripartite Agreement.

Further, the GoUP shall make payment of such amounts as may be required to make good any Sinking Fund Mismatch. In case of Sinking Fund Mismatch, the GoUP shall remit the funds to fund the shortfall in the Sinking Fund Account.

Stress Case Scenario

Acuite believes that if the property tax which is expected to be collected is adjusted by 50%, still the corporation would be having sufficient cash flow over and above to make the coupon payments and DSRA. Further, the corporation is required to maintain DSRA for four coupon payments.

Rating Sensitivities

- Significant improvement in collection efficiency.
- Significant improvement in civic coverage indicators.

All Covenants

1. The Issuer shall, at all times till the Debentures are outstanding, ensure that the total amounts collected in the Escrow Account in any financial year shall be at least 2 (Two) times of the Annual Payments Amount. For the purpose of this term sheet, the term 'Annual Payments' shall, in respect of any financial year, mean the aggregate of:

- a) the Coupon payable in such year (in relation to the present bond issue and any further borrowings)
- b) the portion of principal amount of the Debentures which are required to be deposited by the Issuer into the Sinking Fund Account in such financial year (in relation to the present bond issue and any further borrowings), in terms hereof.

2. Debt Service Coverage Ratio (DSCR) shall mean the ratio of operating surplus to total debt servicing, which shall not be less than 1.50 times of operating surplus calculated as on 31st March for each year financial year (starting from 31st March 2026 till the time bonds are outstanding) as below:

$$DSCR = \text{operating surplus} / \text{total debt service}$$

i. Operating surplus calculated as the below:

$$\text{Operating Surplus} = \text{Total Income} - \text{Adjusted Expenditure}$$

a. Total income = Total income of the corporation as per the audited Income and Expenditure statement.

b. Adjusted Expenditure = Total expenditure as per the audited Income and Expenditure statement - Depreciation - Finance charges - Provisions and Write offs - other non-cash expenditures

ii. Total debt service = interest payment of loans and bonds + transfers made to the sinking fund account towards principal repayment / redemption + principal repayment / redemption (Excluding those made out of the sinking fund account).

So long as the Eligibility Conditions are met, the Issuer shall be entitled to raise further financial indebtedness based on its cash flows including the cash flows through the Escrow Account, provided that nothing in this provision should be construed to permit the creation of any encumbrance over the hypothecated property without the express prior written consent of the debenture trustee.

For the purpose of this term sheet, the term 'Eligibility Conditions' shall mean the following conditions:

- (a) the Annual Payments Ratio is maintained by the Issuer;
- (b) the Minimum DSCR of 1.50 times is maintained by the Issuer
- (c) there is no shortfall in the contribution to the Escrow Account, the Interest Payment Account (including towards maintenance of the Required DSRA Amount) and/or the Sinking Fund Account which has not been made good by the Issuer in terms of the Transaction Documents;

(d) no Event of Default has occurred.

3. Other financial covenants as defined in the Transaction Documents

The documents executed in relation to or which are relevant to the Issue includes:

- a) Preliminary Placement Memorandum/ this Placement Memorandum along with all annexures,
- b) The Tripartite Agreement with the Debenture Trustee and the Government of Uttar Pradesh,
- c) The Issue Agreement, T
- d) The Issue Proceeds Agreement,
- e) The Debenture Trustee Agreement,
- f) The Registrar Agreement,
- g) The Debenture Trust Deed,
- h) The Deed of Hypothecation,
- i) Memorandum of Deposit of Title Deeds,
- j) The Escrow Agreement,
- k) The Tripartite Agreements with NSDL and CDSL
- l) Any other agreement or document designated as such by the Debenture Trustee (acting on the instructions of the Majority Debenture Holders).

4. Additional Covenants Default in Payment: In case of default in payment of interest and/or principal redemption on the due dates, the Issuer shall pay an additional interest at the rate of 2% p.a. over the respective Coupon Rates of the Bonds for the defaulting period.

5. Negative Covenants

At all times until the Final Settlement Date, the Issuer shall not, without the prior written consent of the Debenture Trustee (acting upon the instructions of the Majority Debenture Holders):

- a) Create any encumbrance over the Mortgaged Property and Hypothecated Property
- b) Enter into any agreement or commitment of any sort, the terms of which conflicts with the provisions of the Transaction Documents
- c) Close the Collection Accounts and/or collect property tax (or any other tax levied in place of property tax as per Section 173 of the Act) in any other account
- d) Abolish, alter or reduce the Property tax levied by the Issuer.
- e) Undertake or enter into any transaction of merger, de-merger, consolidation, re-organisation, or compromise with its creditors.

Liquidity Position

Adequate

PNN has adequate liquidity marked by healthy net cash accruals of Rs.145.69 crore for FY2025. Currently, PNN does not have any major repayment in near to medium term. PNN's cash and bank balances of PNN stood at Rs.686.70 crore as on March 31, 2025. PNN did not avail any borrowings. However, the city requires huge investments to improve the quality of its civic services. PNN has cash buffers, which can be utilized to fund capex for the betterment of the city. Acuite expects the liquidity to be adequate considering the PNN has not availed any external debt.

Outlook - Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	969.67	785.80
PAT	Rs. Cr.	46.89	22.64
PAT Margin	(%)	4.84	2.88
Total Debt/Tangible Net Worth	Times	0.88	0.75
PBDIT/Interest	Times	937.58	2755.22

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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.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. Acuité'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
18 Feb 2025	Proposed Bond	Long Term	50.00	ACUITE Provisional AA Stable (Reaffirmed)
20 Feb 2024	Proposed Bond	Long Term	50.00	ACUITE Provisional AA Stable (Assigned)

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	INE1QL524024	Bond	02 May 2025	8.07	02 May 2032	12.50	Simple	ACUITE AA Stable Assigned Provisional To Final
Not Applicable	INE1QL524032	Bond	02 May 2025	8.07	02 May 2031	12.50	Simple	ACUITE AA Stable Assigned Provisional To Final
Not Applicable	INE1QL524040	Bond	02 May 2025	8.07	02 May 2030	12.50	Simple	ACUITE AA Stable Assigned Provisional To Final
Not Applicable	INE1QL524016	Bond	02 May 2025	8.07	02 May 2029	12.50	Simple	ACUITE AA Stable Assigned Provisional To Final

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company name
1	Prayagraj Nagar Nigam
2	Government of Uttar Pradesh

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About Acuité Ratings & Research

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