



Press Release
AGRA NAGAR NIGAM
May 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Total Withdrawn Quantum (Rs.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 Agra Nagar Nigam (ANN) 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, the stable revenue income and healthy cash surplus. Uttar Pradesh continues to strengthen its position on the global tourism map, with the number of tourists visiting UP in 2024 was 64.9 crore. Agra is the fourth most popular city in Uttar Pradesh & considered as one of the most popular tourism place in India for domestic, national and international tourist. The rating derives further 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 ANN and high dependence on tourism.

About the Company

Agra Nagar Nigam (ANN) is a local government body incorporated in 1979 for providing necessary community services like health care, sanitation, education, housing, roads, transport etc. to the people of the Agra city. ANN is very well known for the managing the city by using private sector participation as well as introduction of innovative mechanism in management to serve people efficiently. City has prepared different plans for improving services and to nullify gap between services and demands. The AMC is responsible for public education, correctional institutions, libraries, public safety, recreational facilities, sanitation, water supply, local planning and welfare services. The mayor and councillors are elected to five-year terms.

Unsupported Rating

ACUITE A/Stable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Agra Nagar Nigam (ANN) to arrive at the rating.

Key Rating Drivers

Strengths

Advantages of being Uttar Pradesh's fourth-most populous city

Another name for Agra is "The Taj City." It is the twenty-third most populated city in India and the fourth most populous city in Uttar Pradesh. Furthermore, Agra's tourism business is flourishing and its royal crafts are in high demand because of the Taj Mahal and other historical landmarks. The oldest and most well-known leather company, Taj Leather World, is located in the city, which is well-known for its leather items. Additionally, the city's excellent road, rail, and aviation access to other significant regions of the state is drawing investments. Agra's infrastructure has recently undergone remarkable expansion. The popularity of Agra's first mall, the TDI Mall-cum-multiplex on Fatehabad Road, among locals and visitors alike suggests that there is a desire for such expenditures. Over the next five years, the retail sector in Agra is projected to increase by 40% relative to its current size, with organized retail growing at a rate of 15% in the Agra metropolitan area. The receipts generated by ANN stood at Rs.632.10 Crore during FY24 against Rs.493.82 Crore during FY23. The major segment of the revenue has been contributed by the property tax collection along with revenue grants and subsidies.

Structured Payment Mechanism

ANN has access to various income sources out of which Property tax shall be deposited every month in a separate nolién 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 ANN of the shortfall and ANN 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. 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). If shortfall is not made good by ANN on T date, the DT shall issue a notice to ANN marking a copy to GoUP following which the GoUP shall remit funds required to replenish the Required DSRA Amount within 15 (Fifteen) days from the relevant Coupon Payment Date i.e. by T+15 days.

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 ANN of the shortfall and ANN 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).

Weaknesses

Significant build-ups of receivables

The debtors position as on 31 March, 2024 stood at Rs. 758.32 Cr. i.e. 1853 days against Rs. 662.71 Cr. as on 31 March, 2023 i.e. 1927 days for FY23. 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 IDF (Infrastructure Development Fund) for credit enhancement and other needs of local bodies to promote/ incentivise issuance of municipal bonds. Pursuant to the Governmental Order, the issuer shall approach 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 IDF in terms of such agreement:

- (a) into the Interest Payment Account for creation of the upfront Required DSRA Amount;

(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 would adjust it 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:

Operating Surplus = Total Income — 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 it is clarified 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 1.5 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;
- (c) 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) Placement Memorandum, along with all annexures

- b) Debenture Trustee Agreement
- c) Escrow Agreement
- d) Issue Proceeds Agreement
- e) Debenture Trust Deed
- f) Deed of Hypothecation
- g) Memorandum of Deposit of Title Deeds
- h) Tripartite Agreement with the Debenture Trustee and the Government of Uttar Pradesh
- i) Tripartite Agreements with NSDL and CDSL
- j) 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.

Liquidity Position

Adequate

ANN has adequate liquidity marked by healthy net cash accruals of Rs.224.79 crore for FY2024. Currently, ANN does not have any repayment in near to medium term. ANN's cash and bank balances of ANN stood at Rs.499.59 crore as on March 31, 2024. Further, it had investments in fixed deposits of about Rs. 4.84 Crore as on 31st March 2024. ANN did not avail any borrowings. However, the city requires huge investments to improve the quality of its civic services. ANN 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 ANN has not availed any external debt.

Outlook - Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	632.10	493.82
PAT	Rs. Cr.	120.98	52.75
PAT Margin	(%)	19.14	10.68
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	41748.06	13032.11

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

Not Applicable.

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Although Acuite requested an interaction with the Audit Committee the issuer entity was unable to arrange it.

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. 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
27 Mar 2025	Proposed Bond	Long Term	50.00	ACUITE Provisional AA Stable (Reaffirmed)
20 Feb 2025	Proposed Bond	Long Term	50.00	ACUITE Provisional AA Stable (Reaffirmed)
29 Mar 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	INE1N2P24018	Bond	15 Apr 2025	8.15	15 Apr 2031	12.50	Simple	ACUITE AA Stable Assigned Provisional To Final
Not Applicable	INE1N2P24026	Bond	15 Apr 2025	8.15	15 Apr 2032	12.50	Simple	ACUITE AA Stable Assigned Provisional To Final
Not Applicable	INE1N2P24034	Bond	15 Apr 2025	8.15	15 Apr 2029	12.50	Simple	ACUITE AA Stable Assigned Provisional To Final
Not Applicable	INE1N2P24042	Bond	15 Apr 2025	8.15	15 Apr 2030	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	Agra Nagar Nigam
2	Government of Uttar Pradesh

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About Acuité Ratings & Research

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