



Press Release
GREATER CHENNAI CORPORATION
October 23, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3000.00	ACUITE AA- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	3000.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of "**ACUITE AA-**" (read as **ACUITE double A minus**) on the Rs.3000.00 Cr. bank facilities of Greater Chennai Corporation (GCC). The Outlook is 'Stable'.

Rationale for Rating

The rating takes into consideration the consistent support from both the state and central government towards the development of the city, strong operating performance, a YoY increase in tax revenue and collection efficiency and a healthy cash surplus. Tamil Nadu continues to solidify its position as a manufacturing hub, with Chennai's economic base majorly supported by automobiles, telecommunications, software services. The corporation also has good infrastructure in place, a strong record in terms of geographic coverage and service delivery and has been performing well in the execution of its civic duties.

However, the rating to be constrained by the elevated level of receivables of GCC.

About the Company

Chennai based, Greater Chennai Corporation (GCC) is the Oldest Municipal Institution in India established on the 29th September 1688. The corporation maintains roads, streetlights, flyovers, and also the city's cleanliness and hygiene levels. The Parliamentary Act of 1792 gave the Corporation power to levy Municipal Taxes in the City. The Municipal administration properly commenced from the Parliamentary Act, 1792 making provision for the good order and administration of the city. The Municipal Act has been amended introducing from time to time major changes in the constitution and powers of the Corporation. The Madras Municipal Corporation Act, 1919 (as amended) provides the basic statutory authority for the administration now. The company managed by Dr. J. Radhakrishnan, Mr. R. Lalitha, Dr. V. Jaya Chandra Bhanu Reddy, Dr. G.S. Sameeran and Mr. Sharanya Ari. Chennai is named as 'Detroit of Asia' due to the presence of major automobile manufacturing units and allied industries around the city.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Greater Chennai Corporation (GCC) to arrive at the rating.

Key Rating Drivers

Strengths

Benefits from Chennai's status as an administrative and political capital of Tamil Nadu

Greater Chennai Corporation (GCC) provides civic services to Chennai city, the capital of Tamil Nadu. Being an administrative capital, Chennai is a base for all major state government offices. As a hub for major decision making, Chennai has enhanced the ability to attract investments from a wide range of sectors.

Chennai city is located in the northeastern part of Tamil Nadu, and is the hub of various small, medium and large-scale industries like automobiles, soft ware services, medical, toursim, hardware manufacturing and financial services sectors which are major contributors to the economy of Tamil Nadu. Other important industries include petrochemicals, textiles, apparel and soon to become the EV (Electric Vehicle) hub of the country. A few large-scale companies located in and around Chennai include Ashok Leyland Limited, Chennai Petroleum Corporation Limited, MRF Limited, Redington India Limited, The India Cements Limited, Murugappa Group, Ford Motor Company, etc. Further, Chennai is the third largest software exporter in India and a resident for IT companies,

including Infosys, Wipro, Tata Consultancy Services, to name a few. Acuité believes the significant employment opportunities generated by the varied range of industries located in and around Chennai are expected to lead to higher per capita income which augurs well for GCC.

Chennai is also 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.

Acuité believes that GCC will continue to benefit significantly from its pivotal position as the capital city of the second largest economy in the country. Since the ongoing support from the state government will be critical for maintaining a stable credit profile, the credit rating of GoTN will also be a key monitorable.

Strong operating performance, reflected in a healthy operating surplus

The revenue profile of the GCC includes various tax revenues, rental income from municipal corporations, sales and hire charges, grants and subsidies of revenue nature and non-tax income. GCC owned revenues stood at Rs.4661.70 Cr. in FY2024(prov) as against Rs.4206.97 Cr. in FY2023 and Rs.3210.93 Cr. in FY2022. The improvement in the income is due to an increase in the tax revenue over the last two years ended FY2024(prov).

Further, tax revenue accounted for approx. 70.00 percent of total revenue over FY2024-FY2022. Furthermore, the tax collection efficiency increased YoY and stood at 78.47 percent in FY2024, 72.10 percent in FY2023 as against 63.88 percent in FY2022, Acuite believes that the revenue of the corporation will further improve over the medium term.

The strong growth in tax and non-tax collections led to the operating surplus of Rs.1337.64 Cr. in FY2024(prov) as against Rs.1096.43 Cr. in FY2023 and Rs.497.21 Cr. in FY2022. Acuite believes that the operating surplus will sustain over the medium term owing to healthy revenue collection and improvements in economic activities.

Healthy financial risk profile

The financial risk profile of the GCC is healthy marked by strong net worth, low gearing, and healthy debt protection metrics. The net worth of GCC stood at Rs.12948.16 Cr. as on March 31, 2024(prov), increased from Rs.10894.30 Cr. as on March 31, 2023, as against Rs.8273.27 Cr. as on March 31, 2022. The net worth also includes grants and contributions for specific purposes from central and state government. The reflected debt of Rs.2128.48 Cr. as on March 31, 2024(prov) are loans from the state government, government bodies and banks. Further, the corporation closed the CC facilities in June 2023.

The gearing level of GCC stood low at 0.16 times as on March 31, 2024(prov) as against 0.23 times as on March 31, FY2023. The debt protection metrics are healthy with the interest coverage ratio (ICR) of the corporation stood at 12.17 times in FY2024(prov) against 7.87 percent in FY2023. Further, the DSCR stood at 2.64 times in FY2024 (prov) as against 3.43 times in FY2023. Further, total outside liabilities to total net worth stood steady, healthy, and same at 0.45 times as on March 31, 2024(prov) as against 0.50 times as on March 31, 2023.

Acuite believes that the GCC financial risk profile continues to be healthy backed by adequate support from GOI and GOTN in the form of grants, timely receipt of tax collection and continues growth potential of Chennai city.

Weaknesses

Significant buildup in receivables

The receivables of the GCC have remained high resulting in a significant buildup of receivables in FY2024. The debtor's position stood at Rs.4610.55 Cr. i.e. 444 days in FY2024(prov) as against Rs.3907.56 Cr. i.e. 385 days in FY2023. Trade receivables include property tax, professional tax, company tax. Acuité believes that any significant build-up in receivables beyond existing levels will be a key rating sensitivity factor.

Rating Sensitivities

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

Liquidity Position: Strong

GCC has strong liquidity marked by healthy net cash accruals of Rs.1228.97 Cr. in FY2024(prov) as against the CPLTD of Rs.396.96 Cr. for the same period. The liquidity remains supported by the cash and bank balances of GCC stood at Rs.1195.18 Cr. as on March 31, 2024(prov) and investments in the form of fixed deposits stood at Rs.1278.52 Cr. as on March 31, 2024(prov). However, Acuité believes that these funds would be significantly utilized for infrastructural development and repayment of term loan facilities in the near to medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	4661.70	4206.97
PAT	Rs. Cr.	61.90	(95.12)
PAT Margin	(%)	1.33	(2.26)
Total Debt/Tangible Net Worth	Times	0.16	0.23
PBDIT/Interest	Times	12.17	7.87

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

BWR, vide its press release dated April 23, 2024 had denoted the rating of Greater Chennai Corporation as BWR BB+/ Stable 'DOWNGRADED AND ISSUER NOT CO-OPERATING'.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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. 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: Not Applicable

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 Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1479.83	Simple	ACUTE AA- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2032	289.84	Simple	ACUTE AA- Stable Assigned
Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2038	259.00	Simple	ACUTE AA- Stable Assigned
Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2032	39.65	Simple	ACUTE AA- Stable Assigned
Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2026	64.94	Simple	ACUTE AA- Stable Assigned
Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2031	153.37	Simple	ACUTE AA- Stable Assigned
Tamil Nadu Urban Development Fund	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2034	713.37	Simple	ACUTE AA- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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