



Press Release
GREATER CHENNAI CORPORATION
August 13, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3000.00	ACUITE AA- Stable Reaffirmed	-
BOND	200.00	ACUITE AA+ Stable Assigned Provisional To Final	-
Total Outstanding Quantum (Rs. Cr)	3200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has converted the provisional rating on the Rs. 200 Cr. bonds of Greater Chennai Corporation (GCC) to final and assigned the long-term rating of **‘ACUITE AA+’ (read as ACUITE double A plus.)** The outlook is **‘Stable’**.

Acuite has reaffirmed 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'**.

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

1. Final Bond Term Sheet (part of placement memorandum)
2. Debenture Trustee Deed
3. Security has been created as Term Deposit under the name of 'Project Sustainability Grant Fund' (PSGF)
4. Escrow agreement
5. Deed of hypothecation

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.

Note: Acuite have considered all the four funds for analysis i.e. Municipal fund, Capital fund, Elementary Education fund and Earmarked fund.

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 Chennai City Municipal Corporation Act, 1919 (as amended) provides the basic statutory authority for the administration now. The municipal Corporation is managed by the Commissioner J. Kumaragurubaran, I.A.S, and other Additional and Deputy Commissioners include Dr. V. Jaya Chandra Bhanu Reddy I.A.S , Dr. J. Vijayarani I.A.S, V Siva Krishnamurthy I.A.S, and M Birathiviraj

I.A.S . Chennai is named as ‘Detroit of Asia’ due to the presence of major automobile manufacturing units and allied industries around the city.

Unsupported Rating

Acuite AA-/Stable.

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 largescale industries like automobiles, software services, medical, tourism, 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 largescale 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. Acuite 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. Acuite 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.

Scale of Operations

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's revenue slightly declined which stood at Rs. 4,396.21 Cr. in FY2025 as against Rs. 4,436.35 Cr. in FY2024. The decline is mainly due to lower revenue grants received from govt's end. However, all the other sources of tax collections have improved in FY 25 against FY24. Acuite believes that the revenue of the corporation will further improve over the medium term owing to healthy revenue collection and improvements in economic activities.

Healthy financial risk profile

The financial risk profile of the corporation is strong marked by strong net worth, low gearing, and healthy debt protection metrics. The net worth of GCC stood at Rs.13,462.18 Cr.as on March 31, 2025, increased from Rs. 13,240.49 Cr. as on March 31, 2024. The net worth also includes grants and contributions for specific purposes. The total debt of Rs. 1,633.83 Cr as on March 31, 2025, are loans from state government, government bodies and banks. The gearing level of GCC improved & stood low at 0.12 times in FY 25 against 0.14 times in FY24. TOL/TNW improved & stood at 0.32 times in FY 25 against 0.39 times for FY 24. The debt protection metrics is healthy with the interest coverage ratio (ICR) of the corporation stood at 4.87 times in FY2025. Acuite believes that the GCC's 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.

Structured Payment Mechanism

GCC has access to various income sources out of which Property tax from Zone 5 and Zone 7 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 and Conditions

The DSRA shall be created in an any event prior to seven days with an amount equivalent to the two coupon

payments (1 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 GCC of the shortfall and GCC shall cover the shortfall prior to 15 days (T-15 days) of the interest payment day. If the corporation fails to cover the shortfall at 14 days (T-14 days) prior to interest servicing day, the Debenture Trustee shall trigger the payment mechanism and shall instruct the Bank to utilise the PSGF Amount to the extent of the shortfall in the amount required to make payment of the Coupon on the Coupon Payment Date on or prior to the date falling 10 (ten) days prior to the Interest Payment Date (T-10 days). Further, immediately after the PSGF Amount utilization, the amounts lying or credited in the escrow account shall flow for the PSGF Amount replenishment and shall not be transferred by the Issuer to the general fund account(s) till the time the required PSGF Amount is replenished. In case of shortfall in the amount required to make payment of Coupon on the Coupon Payment Date in the Interest Payment Account the Debenture Trustee shall trigger the payment mechanism and shall instruct the Bank to utilise the DSRA Amount to the extent of the shortfall in the amount required to make payment of the Coupon on the Coupon Payment Date on or prior to the date falling 8 (Eight) days prior to the Interest Payment Date (T-8 days). The Coupon shall be paid by the Issuer on the Coupon Payment Date (T). 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 final notice in writing to the Issuer. On the issuance of such notice, the Issuer shall make good the DSRA Amount Shortfall within next 15 (Fifteen) days (T+8). Further, immediately after the DSRA utilization, the amounts lying or credited in the escrow account shall flow into the interest payment account for DSRA replenishment and shall not be transferred by the Issuer to the general fund account(s) till the time the required DSRA amount is replenished.

SFA (Sinking Fund Account)

The Debenture Trustee shall check the amount lying to the credit of Sinking Fund Account at 45 (Forty-Five) days prior to the end of each 12-month block. In case of any Sinking Fund mismatch, the Debenture Trustee shall intimate Issuer of the shortfall and Issuer shall make good the Sinking Fund mismatch 15 (Fifteen) days prior to the end of each 12-month block (T-15 days). Further, in case of shortfall on T-45 days, the amounts lying or credited in the escrow account shall flow into the sinking fund account for funding the shortfall and shall not be transferred by the Issuer to the general fund account(s) till the time the shortfall is funded. In case of shortfall still persists in the Sinking Fund Account at 14 (Fourteen) days prior to the end of each 12 month block (T-14 days), the Debenture Trustee shall trigger the payment mechanism and shall instruct the Escrow Bank to utilise the PSGF Amount to the extent of the shortfall in the Sinking Fund Account on or prior to the date falling 10 (ten) days prior to the end of each 12 Month Block (T-10 days). Further, immediately after the PSGF Amount utilization, the amounts lying or credited in the escrow account shall flow for the PSGF Amount replenishment and shall not be transferred by the Issuer to the general fund account(s) till the time the required PSGF Amount is replenished. In case of shortfall still persists in the Sinking Fund Account at 9 (Nine) days prior to the end of each 12-month block (T-9 days), the Debenture Trustee shall issue a final notice to the issuer. On the issuance of such notice, the issuer shall remit the funds to fund the shortfall into the Sinking Fund Account prior to the end of each 12 Month Block (T).

Weaknesses

Weaknesses Significant buildup in receivables

The receivables of the corporation have remained high resulting in a significant build-up of receivables. The debtor's position stood at Rs. 3,295.23 Cr. i.e. 292 days as on March 31, 2025 improved against Rs. 4,616.01 Cr. i.e. 464 days as on March 31, 2024. Trade receivables include property tax, professional tax, company tax, etc which are unpaid by the consumers. 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)

A Grant Fund of Government of Tamil Nadu and managed by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) has been created the term deposit in the name of PSGF equivalent to Rs.14.04 crore with the Escrow Banker of the municipal bond issue of the Corporation as Credit Enhancement Facility under World Bank assisted Tamil Nadu Resilient Urban Development Program (TNCRUDP) for the issuance of municipal bond ("PSGF Amount").

The said term deposit shall be kept as cash collateral in the form of security for bondholders for servicing of the bonds during the entire tenor of the bonds & lien marked with the Bond / Debenture Trustee. The Escrow Banker (on the instructions of the Bond / Debenture Trustee) will utilize the PSGF Amount In the case of insufficient funds in the Escrow Account /Interest Payment Account / Sinking Fund Account as mentioned as “Structured Payment Mechanism”. In case of occurrence of payment default or event of default, the PSGF Amount shall be utilized for meeting all the outstanding interest and principal obligations to the bond holders.

Stress Case Scenario

Acuite Sensitized that the property tax which is expected to be collected out of Zone 5 and Zone 7 would be transferred to escrow account, even if adjusted by 50%, the Corporation would be able to meet its debt obligations. Over and above this, the Corporation is expected to maintain DSRA along with PSGF account which is to be replenished in a time bound manner in case of meeting any exigency and shortfall.

Rating Sensitivities

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

All Covenants

1. The Issuer shall 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); and (c) Principal Repayment amount (in relation to the further borrowings where sinking fund is not created), 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 security 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), 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 Document

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

- a) Placement Memorandum along with all annexures
- b) Debenture Trustee Agreement
- c) Escrow Agreement
- d) Debenture Trust Deed

- e) Deed of Hypothecation
- f) Issue Agreement
- g) Tripartite Agreements with NSDL and CDSL
- h) Issue Proceeds Agreement
- i) 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 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 from Zone 5 and 7 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

Strong

GCC has strong liquidity marked by healthy net cash accruals of Rs. 313.49 Cr. in FY2025. Further, under the Section 152 in Chennai City Municipal Corporation Act, 1919, states priority payments for interest and repayment of loans over other payment. The liquidity remains supported by the cash and bank balances of GCC stood at Rs. 146.76 Cr. as on March 31, 2025, and investments in the form of fixed deposits stood at Rs. 1,476.31 Cr. as on March 31, 2025. The current ratio stood at 2.09 times for FY 25. 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 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	4396.21	4436.35
PAT	Rs. Cr.	(863.21)	(125.33)
PAT Margin	(%)	(19.64)	(2.82)
Total Debt/Tangible Net Worth	Times	0.12	0.14
PBDIT/Interest	Times	4.87	10.42

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>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>
- State Government Ratings : <https://www.acuite.in/view-rating-criteria-26.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
17 Mar 2025	Term Loan	Long Term	21.63	ACUITE AA- Stable (Reaffirmed)
	Term Loan	Long Term	224.00	ACUITE AA- Stable (Reaffirmed)
	Term Loan	Long Term	17.15	ACUITE AA- Stable (Reaffirmed)
	Term Loan	Long Term	91.43	ACUITE AA- Stable (Reaffirmed)
	Term Loan	Long Term	57.41	ACUITE AA- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	1961.50	ACUITE AA- Stable (Reaffirmed)
	Term Loan	Long Term	626.88	ACUITE AA- Stable (Reaffirmed)
	Proposed Bond	Long Term	200.00	ACUITE Provisional AA+ Stable (Assigned)
23 Oct 2024	Term Loan	Long Term	64.94	ACUITE AA- Stable (Assigned)
	Term Loan	Long Term	713.37	ACUITE AA- Stable (Assigned)
	Term Loan	Long Term	289.84	ACUITE AA- Stable (Assigned)
	Term Loan	Long Term	259.00	ACUITE AA- Stable (Assigned)
	Term Loan	Long Term	39.65	ACUITE AA- Stable (Assigned)
	Proposed Term Loan	Long Term	1479.83	ACUITE AA- Stable (Assigned)
	Term Loan	Long Term	153.37	ACUITE 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	INE1SKA24037	Bond	21 May 2025	7.97	21 May 2035	40.00	Simple	ACUITE AA+ Stable Assigned Provisional To Final
Not Applicable	INE1SKA24052	Bond	21 May 2025	7.97	21 May 2034	40.00	Simple	ACUITE AA+ Stable Assigned Provisional To Final
Not Applicable	INE1SKA24029	Bond	21 May 2025	7.97	21 May 2033	40.00	Simple	ACUITE AA+ Stable Assigned Provisional To Final
Not Applicable	INE1SKA24045	Bond	21 May 2025	7.97	21 May 2032	40.00	Simple	ACUITE AA+ Stable Assigned Provisional To Final
Not Applicable	INE1SKA24011	Bond	21 May 2025	7.97	21 May 2031	40.00	Simple	ACUITE AA+ Stable Assigned Provisional To Final
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2062.84	Simple	ACUITE AA- Stable Reaffirmed
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	217.00	Simple	ACUITE AA- Stable Reaffirmed
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	13.40	Simple	ACUITE AA- Stable Reaffirmed
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	14.41	Simple	ACUITE AA- Stable Reaffirmed
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	81.67	Simple	ACUITE AA- Stable Reaffirmed
Tamil Nadu Urban Development Fund	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2034	610.68	Simple	ACUITE AA- Stable Reaffirmed

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

Sr. No.	Company name
1	Greater Chennai Corporation
2	Government of Tamil Nadu

Contacts

Mohit Jain Chief Analytical Officer-Rating Operations	Contact details exclusively for investors and lenders
Kartik Arora Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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