



## Rating Rationale

### Ferozpur Municipal Council

26 May 2017

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## Brickwork Ratings assigns an Issuer rating to Ferozpur Municipal Council (Ferozpur MC)

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### Particulars:

Entity	Rating Type	Tenure	Rating*
Ferozpur Municipal Council	Issuer Rating	Long Term	BWR B+ (Pronounced BWR B Plus) Outlook : Stable

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

Ferozpur is a city and a municipal council in the Punjab state of India which lies in Ferozpur District. It is an ancient city situated close to the present day Indo-Pakistan border. It is believed to have been founded by Ferozshah Tughluq in the 14th century AD. Ferozpur Division of the Northern Railway is one of the earliest established divisions of the India Railways.

### Rationale/Description of Key Rating Drivers/Rating Sensitivities:

The rating draws comfort from the moderate civic services standards maintained by Ferozpur Municipal Council, higher literacy rate than the state's average literacy rate and progress made by Ferozpur MC in implementing key reforms. The rating also factors in its status as an Atal Mission for Rejuvenation and Urban Transformation (AMRUT) city in Punjab and various other projects & initiatives taken by Ferozpur MC to augment the level of services in the city viz. high coverage of sewerage network services of about 99%.

These rating strengths are offset by revenue deficit position in the previous three financial years with negative cash accruals, viz. Rs.-2.03 Crs in FY13, Rs. -0.19 Crs in FY14 and Rs. -0.63 Crs in FY15, with tax revenues contributing to less than 10% of total revenues for F15, coupled with low collection efficiency of property tax with limited follow-up, no coverage of storm water drainage system, no metering of water connections, low coverage of water supply connections of only 63% and large investment requirements of the city to implement various projects & reforms. The collection efficiency of sewerage waste is 63% along with no sewerage treatment capacity, collection efficiency of water supply related charges is 70% which need to be improved.

Going forward the ability of Ferozpur Municipal Council to receive grants & arrange required funds in a timely manner for completion of various projects & reforms, concerned efforts for improving the overall urban infrastructure, implement GIS (Geographic Information System) effectively to ensure monitoring of timely collection of user charges as well as property tax, generate additional sources of revenue and achieve the level of e-services as per requirements shall remain key rating monitorables.



### **Rating Outlook: Stable**

BWR believes that Ferozepur Municipal Council's credit risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the Corporation is able to achieve the estimated progress in the implementation of various projects and reforms. The rating outlook may be revised to 'Negative' if the progress in the projects and reforms is lower than the expectations.

### **About Ferozepur city:**

Ferozepur, also known as Firozpur, is a city on the banks of Sutlej River in Ferozepur District, Punjab, India. After the partition of India in 1947, it became a border town on the Indo-Pakistani international border.

The city is spread over an area of 11.33 sq. km. and is divided into 25 wards. As per provisional reports of Census India, population of Ferozepur in 2011 is 110,313; of which male and female are 58,451 and 51,862 respectively. Average literacy rate of Ferozepur city is 79.12% with male literacy rate at 82.26% and female literacy rate at 75.62%. The city has lower sex ratio of 887 female per 1000 male as compare to Punjab state average of 895.

The city has a primarily agrarian economy with major products being pulses, oilseeds, livestock and poultry farms.

### **About Ferozepur Municipal Council:**

The Municipality is supervised by an elected body, the Council, consisting of President and ward councillors. The town is divided into wards according to its population, and representatives are elected from each ward. There are 25 wards in Ferozepur Municipal Council. The Administrative Body is headed by the Executive Officer and consists of various other departmental heads.

### **Council's Financial Performance:**

Ferozepur Municipal Council's major revenue is contributed from various assigned revenues from the state, besides taxes, development chargers, user chargers, grants from central/ state government etc. Revenue Receipts (RR) of Ferozepur MC declined from Rs. 9.48 Crs in FY14 to Rs. 8.97 Crs in FY15 and increased to Rs. 10.08 Crs in FY16. Ferozepur Municipal Council has been reporting revenue deficit in previous three financial years; it has, however, remained volatile on account of increasing establishment expenses and relatively lower growth in the revenue income for the respective years.

***Note:** Ferozepur Municipal Council's financials are still in the process of audit for FY16 and therefore, we have classified the receipt & payment items into revenue and capital accounts based on our*



understanding of the same and the financial analysis of Ferozpur MC has been carried out on best efforts basis.

**Hyperlink/Reference to applicable Criteria:**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Public Finance - Municipal and Urban Local Bodies](#)

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**Note on complexity levels of the rated instrument:**

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**About Brickwork Ratings**

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