



Rating Rationale

Amritsar Municipal Corporation

May 24, 2017

Brickwork Ratings assigns an Issuer Rating to Amritsar Municipal Corporation (AMC)

Particulars:

Entity	Rating Type	Tenure	Rating*
Amritsar Municipal Corporation	Issuer	Long Term	BWR BBB (Pronounced BWR Triple B) Outlook : Stable

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Amritsar is one of the most ancient and fascinating cities of India. It is an important city with respect to Sikh history and culture. Being the gateway for travelers coming to India on the overland route from central Asia, it has always been a centre for various commercial activities. The city is home to various historical and religious places such as Golden Temple, Jallianwala Bagh, Durgiana Temple, and the summer palace of Maharaja Ranjit Singh and is located at a distance of 32 Km from the historic Wagah Border (India-Pakistan border). The main commercial activities of Amritsar include tourism, carpets and fabrics, farm produce, handicrafts, service trades, and light engineering. The city is known for its rich cuisine and culture.

Rationale/Description of Key Rating Drivers/Rating Sensitivities:

BWR has factored in AMC's better than state average financial risk profile marked by moderate revenue generation and consistency in generation of revenue surplus position over the past three years. The rating also factors in the city's status and importance as it is a spiritual and cultural centre of Punjab, and its contribution to the state's tertiary sector being the tourist hub of the State, its selection as a Smart City and a Heritage City under HRIDAY (MoUD), and initiatives being undertaken by AMC to augment the level of various civic services.

AMC reported significantly higher collection efficiency of property tax vis-à-vis budgeted estimates in FY16, which increased from 29.46% in FY15 to 55.40% in FY16. On the expenditure side, establishment expenses remains the major contributor with 75.35% share in the total expenses.

The rating also draws comfort from the moderate civic services standards maintained by the corporation, and progress made by AMC in implementing various key reforms under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) Scheme. Civic services at present with coverage of water supply connections at 65% and coverage of sewerage network at



85%. AMC is implementing its sewerage scheme which will result into 100% coverage sewerage network as well as treatment capacity. Efficiency of collection of solid waste is 100% and the city is in the process of setting up a waste treatment plant (waste to energy) which will be an additional source of revenue for the corporation as well as meet the city's power requirements.

The city has its own transportation network of buses. BRTS has already commenced on one route. AMC is also implementing projects worth Rs. 179 Crs to improve the overall urban transportation scenario of the city. Some of the other projects, under implementation, include the city's sewerage scheme, waste to energy (treatment) plant, augmentation of the water supply scheme and conversion of conventional street lighting to LED lights.

These rating strengths are partially offset by the ULB's inability to monitor water usage owing to lack of metered connections, low coverage of storm water drainage systems, initial stages of implementation of solid waste management project, and large investments required for implementation of various keys projects & reforms in the city.

Going forward, the ability of AMC to arrange required funds in a timely fashion for completion of various key projects & reforms, concerted efforts for improving the overall urban infrastructure, implement the Geographic Information System (GIS) effectively to prepare a database for monitoring of various civic services & timely collection of user charges as well as property taxes, generate additional sources of revenue and achieve the level of e-services as per MOUD benchmarks, shall remain key rating sensitivities.

Rating Outlook: Stable

BWR believes that **Amritsar Municipal Corporation'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 Amritsar City:

Amritsar (literal translation – Pool of Nectar), historically also known as Ramdasapur and colloquially as Ambarsar, is the administrative headquarter of the Amritsar district – located in the Majha region of the Indian state of Punjab. The city is spread over an area of 142.37 sq. km and is divided into 65 wards. The population of the city increased from 1,016,079 in 2001 to 1,132,383 in 2011. As per Corporation's estimates, the population has increased to 1,274,507 in 2015, with 53% of the city's population comprising males and 47% comprising females, with a population density of the city is 7,954 persons/sq. km. Amritsar has one of the highest literacy



rates in the state at 84.19%, with Male Literacy rate at 86.90% and Female Literacy rate at 81.16%.

The main commercial activities of Amritsar include tourism, manufacture of carpets, handicrafts, light engineering goods, shoes and fabrics, farm produce, and wholesale trades and services.

About Amritsar Municipal Corporation:

The city of Amritsar got a Town Committee in 1858 and a Municipal Committee in 1868. Amritsar was declared a city on 29th March 1977 under the Punjab Municipal Corporation Act, 1976 and the Municipal Corporation was constituted in place of Municipal Committee.

The Municipality is supervised by an elected body, the Council, comprising ward Councilors, who are elected for a term of five years. The town is divided into 65 wards and representatives are elected from each ward. The administrative body is headed by the Commissioner and consists of Additional and Joint Commissioners and departmental heads of Building & Roads department and Operations & Maintenance department, besides other functionaries.

Corporation’s Financial Performance:

On a provisional basis, AMC has reported a Revenue Income of Rs. 239.23 Crs in FY16 as against Rs. 258.41 Crs in FY15 and a Revenue Surplus of Rs. 29.14 Crs in FY16 as against Rs. 24.04 Crs in FY15.

Note: AMC’s financials are still in the process of audit 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 AMC has been carried out based on our best efforts.

Hyperlink/Reference to applicable Criteria:

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

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Note on complexity levels of the rated instrument:

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About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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