



## Rating Rationale

### Moga Municipal Corporation

April 24, 2017

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#### Brickwork Ratings assigns an Issuer rating of BWR BB (Outlook: Stable) to Moga Municipal Corporation (Moga MC)

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#### Particulars:

Entity	Rating Type	Tenure	Rating*
Moga Municipal Corporation	Issuer Rating	Long Term	BWR BB (Pronounced BWR Double B) Outlook : Stable

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

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

The rating draws comfort from the civic services standards maintained by the corporation, higher literacy rate of 80.59% than the state's average literacy rate of 75.84%, revenue surplus position over the past three years and progress made by Moga MC in implementing the key reforms. The rating also factors in the city's marginal contribution to the state's GDP, city's positioning as an agriculture hub, its status as an Atal Mission for Rejuvenation and Urban Transformation (AMRUT) city in Punjab and various other projects & initiatives taken by Moga MC to augment the level of services in the city. These rating strengths are partially offset by moderate collection efficiency of property tax at 78% vis-à-vis budgeted estimates, no coverage of storm water drainage system, low level of metering of water connections at 16% and large investment requirements of the city to implement various projects & reforms. The collection efficiency of water supply related charges and sewerage waste is 50% and 54% respectively and thus needs improvement.

Going forward the ability of Moga MC 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 Moga 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 Moga District and city:**

Moga District is the 17th district drawn on the map of Punjab State on the 24<sup>th</sup> November 1995. Prior to this, Moga was the sub-division of Faridkot District. Moga town is the headquarters of the district and is situated on Ferozepur-Ludhiana road. Moga district falls under the jurisdiction of Ferozepur Division. Its boundaries touch the boundaries of Jalandhar district in north, Ludhiana district in East, Bhatinda in South and Faridkot & Ferozepur on the West.

Moga Municipal Committee was elevated to the status of Municipal Corporation in 2014 under the Punjab Municipal Corporation Act, 1976. The city is spread over an area of 51 Sq. Km. and is divided into 52 wards. As per provisional reports of Census India, population of Moga city in 2011 is 150,411 out of which male and female are 79,663 and 70,748 respectively. The literacy rate was 80.59 per cent.

A dairy plant of Nestle India Ltd. was established in 1961, located on the west border of the town of Moga. It is a hi-tech milk and food processing plant and a major employment provider to the city residents as it provides technical and blue collar jobs to the local population. The plant procures dairy milk from the local dairies. The main occupation of the region is agriculture. Other major activities include cold storages, bus and auto body construction/ modification and repairs for trucks and jeep etc.

### **Corporation's Financial Performance:**

Moga MC's major revenue is contributed from various taxes, development chargers, user chargers, grants from central/ state government etc. On a provisional basis, Moga MC has reported a Revenue Income of Rs. 47.12 crore in FY16 as against Rs. 46.27 crore in FY15 and a Revenue Surplus of Rs. 13.39 crore in FY16 as against Rs. 14.81 crore in FY15.

*Note: Moga MC'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 Moga MC has been carried out based on our best efforts.*

### **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:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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