



## Rating Rationale

### Sri Muktsar Sahib Municipal Council

23 May 2017

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#### Brickwork Ratings assigns an Issuer Rating to Sri Muktsar Sahib Municipal Council (MMC)

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#### Particulars:

Entity	Rating Type	Tenure	Rating*
Sri Muktsar Sahib Municipal Council	Issuer Rating	Long Term	<b>BWR B + (Pronounced BWR Single B Plus) Outlook : Stable</b>

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

Sri Muktsar Sahib, commonly known as Muktsar, is a municipal council town in a district of the same name and an important religious centre of the state. The city is situated in the south-western part of Punjab in Malwa region, and is bounded, in the south, by the inter-state boundaries of Rajasthan and Haryana. It is primarily an agricultural centre and a significant cotton growing area.

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

The rating draws comfort from a debt-free capital structure and implementation of key projects under various schemes. These rating strengths are partially offset by a moderate economic base marked by a low contribution from industrial & service sectors to the local economy which impact the ability of municipal council to raise tax revenues. MMC has high dependency on assigned revenues & grants from the state which are largely utilized for establishment expenses; as a result of which the municipality has reported revenue deficit over the past two years.

The rating has factored in MMC's inefficiencies in providing basic civic services in water supply and sewerage disposal vis-à-vis service level benchmarks for urban local bodies set by MouD. The city's service coverage for water supply and sewerage disposal is low at 44% and 68% respectively. There is absence of storm water drainage system in the city and certain parts of the city face problems of flooding during the rainy season. The rainwater is mostly discharged into sewer network which results in choking of pipes, overflow of the sullage and backflow of the sewerage water. Thus, addition of infrastructure including laying of sewers network and household connections along with additional sewerage treatment plant is required.

MMC has no organized system for solid waste management. Solid waste collected from each household is being dumped, without segregation, onto the MMC owned dumping site, which is also insufficient to cater to the city's current requirements. No treatment of solid waste is undertaken during the dumping process, as required in the system of sanitary landfills.



Currently, MMC does not operate any solid waste treatment plant and currently no investment is planned in the same.

Going forward, the ability of MMC to diversify its economic base and increase collection efficiency and revenue income, so as to generate sufficient revenue surplus along with lower dependence on assigned revenues & grants from the state and improve its infrastructure & civic service level indicators significantly against MoUD benchmarks over the medium term, shall remain key rating determinants.

### **Rating Outlook: Stable**

BWR believes that **Sri Muktsar Sahib 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 & reforms, improve its civic service level indicators significantly and generate revenue surplus over the medium term. The rating outlook may be revised to 'Negative' if the progress in the projects and reforms is lower than the expectations and revenue deficit continues to remain over the medium term.

### **About Muktsar City:**

Sri Muktsar Sahib (often referred to as Muktsar) is a city with a total population of 116,747 as per 2011 census. It is located in south-western part of the Punjab State. The city is spread over an area of 31.27 sq. km. Muktsar city is considered an important religious centre in Punjab. The city has a literacy rate of 76.49% which is slightly lower than the national average of 76.70%. The city does not have any major industrial hub, but is an important agriculture centre.

### **About Sri Muktsar Sahib Municipal Council:**

The Municipal Committee at Muktsar was created in 1876 and was further elevated to Class I municipality on 7<sup>th</sup> April 1986 under the Punjab Municipal Council Act, 1976. MMC is supervised by an elected body, the Council, consisting of ward councillors who are elected for a term of five years. There are 23 wards in Sri Muktsar Sahib Municipal Council, and representatives are elected from each ward. The Administrative Body is headed by the Executive Officer and consists of various other departmental heads.

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

On a provisional basis, MMC has reported a Revenue Income of Rs. 12.25 Crs in FY16 as against Rs. 10.45 Crs in FY15 and a Revenue Deficit of Rs. 0.40 Crs in FY16 as against Deficit of Rs. 1.62 Crs in FY15.

*Note: MMC'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 MMC 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:**

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**About Brickwork Ratings**

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