PUNE MUNICIPAL CORPORATION

CS KUNAL MANDWALE

FCS, DLGFM, LLB, DTL, B.com

Compliance Officer

Ground Floor, PMC Shivaji Nagar, Pune - 411 005.

To,

Date- 20/04/2020

SBICAP Trustee Company Limited

Mumbai

Subject – Submission of Quarterly compliance for the period from 1st Jan 2020 to 31st March 2020 with regard to the NCD's aggregating to Rs.200 Crores.

1. Updated list of the names and addresses of the Debenture holders with respective ISIN – Attached herewith
2. Whether interest/principal due during the quarter ended 31st March 2020 has been paid or not if not, reasons there of including company's plan for payment of interest/principal – Interest due on 20th June 2020
3. Information regarding Debenture holder's complaints/grievances in following format:
   a) Complaints pending at the end of the previous quarter- NA
   b) Complaints received during the Quarter (give full details of each complaint): NA
   c) Nature of the complaint – NA
   d) Complaints resolved during the quarter- NA
   e) Reasons for pending/unresolved complaints- NA
   f) Average time taken to resolve the each complaint –NA
4. A confirmation that the properties secured are adequate for discharging the due repayment for the Debentures i.e. interest and redemption amount – yes (through ESCROW mechanism)
5. Updated credit rating letter (Surveillance) – Attached herewith
6. A confirmation that the insurance policies obtained for the company's assets/property are adequate and properly assigned in favour of Trustee- NA
7. Whether there is any change in composition of Board members and management during the quarter, giving details, there of- NA
8. A certificate from the Chartered Accountant of the company certifying that Security Cover, Debt Equity ratio and Debenture Redemption Reserve is maintained in accordance with the terms of issue of Debentures.- Attached herewith
9. Utilization Certificate from statutory Auditor – Attached herewith
10. Annual Report (Balance sheet) for the year ended 2018-19 – Attached Herewith.

CS Kunal Mandwale
Compliance Officer & HOD
Municipal Bond Compliance
Pune Municipal Corporation

Tel. : 91-20-25501076 | Dir. : 91-20-25501068 | Cell : +91 9689931049 | Fax : 91-20-25501104

Email : compliance@punecoproation.org

OLDER_FO	TOTAL_SHAR	HOLDER	HOLDER_AD3	BANK_NAME	FACE_VALUE	AMOUNT	INT_PER	LLOT_DAT	MATUR_DATE
10000287	1000	BANK OF MAHARASHTRA	MUMBAI	BANK OF MAHARASHTRA	1000000.00	1000000000.00	7.59	20170620	20270620
40154512	4	M S RAMAIAH INSTITUTE OF TECHNOLOGY PROVIDENTFUN D SCHEME TRUST	BANGALORE	HDFC BANK LTD	1000000.00	4000000.00	7.59	20170620	20270620
40436344	10	MOIL SSPF FUND	NAGPUR, M S	HDFC BANK LTD	1000000.00	10000000.00	7.59	20170620	20270620
41149122	5	C DAC EMPLOYEES PROVIDENT FUND	PUNE	HDFC BANK LIMITED	1000000.00	5000000.00	7.59	20170620	20270620
20015655	7	NATIONAL TEXTILE CORPORATION LTD.,EMPLOYEE S CONTRIBUTORY PROVIDENT FUND	NEW DELHI	BANK OF BARODA	1000000.00	7000000.00	7.59	20170620	20270620
27471403	18	BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LTDEMPLOYEES PROVIDENT FUND TRUST, NAMRUP	ASSAM	HDFC BANK LTD	1000000.00	18000000.00	7.59	20170620	20270620
30042994	654	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	FORT, MUMBAI	STANDARD CHARTERED BANK	1000000.00	654000000.00	7.59	20170620	20270620
16940592	190	NATIONAL FERTILIZERS LIMITED EMPLOYEES PROVIDENT FUND TRUST	DISTT GAUTAM BUDH NA	HDFC BANK	1000000.00	190000000.00	7.59	20170620	20270620
17336267	77	BHEL EMPLOYEES PROVIDENT FUND		HDFC BANK LTD	1000000.00	77000000.00	7.59	20170620	20270620
47378686	35	LUPIN LTD EMPLOYEES PROVIDENT FUND TRUST	MUMBAI	ICICI BANK LTD	1000000.00	35000000.00	7.59	20170620	20270620

Compliance Officer
Pune Municipal Corporation

A N GAWADE & CO.
CHARTERED ACCOUNTANTS

To,
SBICAP Trustee Company Ltd.
Mumbai

Subject: Certificate for quarter ended 31.03.2020 for bonds raised by Pune Municipal Corporation of Rs.200 Cr.

Dear Sir,

In terms of listing agreement and information memorandum submitted by Pune Municipal Corporation (PMC) Rs.200 Cr municipal bonds @7.59%, we certify that:

1. PMC has maintained the security coverage in accordance within the terms of issue of Debentures.
2. As per audited financials of PMC as on 31.3.2019, PMC has maintained Debt Equity Ratio in accordance within the terms of issues of Debentures.
3. PMC has maintained Debenture Redemption Reserve in accordance with the terms of issue of debentures.

For A.N.Gawade & Co.
Chartered Accountants
FRN 122158W

A. N. GAWADE & CO. F. R. No. 122158W Chartered Accountants

CA Mohseen S Shaikh
Partner
MRN 155487
Pune.
15th April 2020
UDIN : 20155487AAAAAQ6243

Office No. 7, 3rd Floor | Saraswathi Heights | Behind Good-luck cafe, Deccan Gymkhana | Pune-411004 | Maharashtra, India.
Ph. 7722063311. Email ang@angca.com. **www.angca.com**

A N GAWADE & CO.
CHARTERED ACCOUNTANTS

To,
SBICAP Trustee Company Ltd.
Mumbai

Subject: Utilization Certificate of Funds raised from Municipal Bonds of Rs.200 Cr @7.59%.

Dear Sir,

We hereby certify that Pune Municipal Corporation has utilized following sum towards Project Cost of 24/7 Water Supply project.

Month	Date of Payment	Amt Paid Rs.	Balance Unutilized Rs.
June-17	-	-	200,00,00,000/-
	Cumulative till 31st March 2020	199,99,99,999.65/-	0.35/-

Payments made from ICICI Bank (Amount received from State Government and PMC 50%/50% Contribution)

Amount received till date (Cumulative)	Amt Paid Rs. till date (Cumulative)	Balance Unutilized Rs.
39,90,00,000/- Rs.39,90,00,000/- PMC contribution dated 3rd Jan 2019. Rs.30,87,00,000 From State of Maharashtra dated 15th March 2019 As on 30th Dec 2019 amt received from Mission Directorate Rs.23,61,00,000		25,49,11,259/-
-	80,80,68,940.49	24,93,05,212.29/- 53,55,119.00/- (Interest for Quarter)

Balance in bank as on 31/03/2020.

Bank	Amount	Purpose
Bank of Maharashtra	5,41,40,956.93	Interest Payment Provision
Corporation Bank (FD)	15,18,00,000/-	DSRA Provision
Bank of Maharashtra	94,71,412/-	DSRA Provision Bal
CANARA Bank (FD)	50,00,00,000/-	Sinking Fund Provision
Bank of Maharashtra	1,37,77,016/-	Sinking Fund Provision

For A.N.Gawade & Co.
Chartered Accountants
FRN 122158W

A. N. GAWADE & CO. F. R. No. 122158W Chartered Accountants

CA Mohseen S Shaikh
Partner
MRN 155487
Pune.
15th April 2020
UDIN : 20155487AAAAAR1943

Pune Municipal Corporation

January 10, 2020

Ratings

Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Non-Convertible Debentures (NCDs)	**200 (Rs. Two hundred crore only)**	**CARE AA+; Stable** (Double A Plus; Outlook: Stable)	**Reaffirmed**

Details of instruments/facilities in Annexure-1

NCDs have coupon rate of 7.59% with semi-annual interest payment and bullet repayment of principal after 10 years.

Detailed Rationale & Key Rating Drivers

The rating assigned to the non-convertible debenture (NCD) of Pune Municipal Corporation (PMC) factors in the robust income profile and sustained revenue surplus of the corporation. Additionally, the high proportion of own revenues strong economic base, comfortable liquidity position, sizeable investments and debt service track record has also been considered favourably.

The corporations is seen to have comfortable debt service coverage in the medium term even after factoring in the proposed debt issuances for the completion of the water project. The rating is however tempered by moderation witnessed in collection efficiency and shortfalls in utility infrastructure against the set targets by PMC.

The ability of PMC to maintain its revenue surplus while successfully augmenting its infrastructure needs and improvement in its civic services will be key rating sensitivities. Furthermore, any higher-than-envisaged debt availed by the corporation in future, leading to weakening of debt protection indicators, will act as key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Adherence to structured payment mechanism: Pune Municipal Corporation (PMC) has been abiding by the structured payment mechanism in terms of timely transfers to and maintaining adequate balance in DSRA, sinking fund and interest payment account.

Strong financial position: The municipal corporation has been seen to be financially strong. It has been recording a revenue surplus for the past 5 years. In FY19, the revenue income of the corporation rose by 8% over the growth of 13% in FY18.

Self-reliance: PMC continues to be self-sufficient with nearly 97% of its revenue being accounted for from its own sources in FY19. On excluding the GST revenues from own revenues, the own revenues of the PMC account for 65% of the total income.

Comfortable liquidity position: The Corporation continues to maintain over Rs. 1,000 crore worth investments in fixed deposits for the past 4 years (FY16-FY19). In FY19, the investments declined 34% as the matured fixed deposits were not re-invested. This resulted in increase in cash balances. Cash and bank balances of the PMC have increased from Rs. 543 crore in FY18 to Rs. 1,423 crore in FY19

Focus on asset creation: The capital expenditure of the corporation, which is mainly incurred towards development of civic amenities and infrastructure projects, has been fairly steady over the years. The capital outlay towards the development projects such as road, water connections improved by 17% in FY19. The corporation has undertaken a water

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

supply project with a view to provide 24/7 water to the city. Out of 1,800 km of lying of pipeline, lying of 160 km of pipelines is already completed. The project is expected to be completed by 2023 and generate additional tax revenue for PMC.

Low debt burden: PMC has low debt burden. The outstanding debt of the corporation was Rs. 200 crore (bond issue) as on March 2019. The debt to revenue receipt ratio has declined from 4.45% in FY18 to 4.22% in FY19. The Corporation has not taken any fresh debt till December 2019.

Key Rating Weaknesses

Moderation in collection efficiency: The collection efficiency of PMC has moderated. The collection efficiency during FY17-19 is 33% lower than the 41% during FY16-19. The collection efficiency has moderated on account of high arrears, a large part of which is under litigation.

Provisions and write offs: The corporation has made provisions for overdue property tax and rent receivables amounting to Rs. 351 cr, 8% lower than the provisions made a year ago (Rs. 380 cr in FY18). Provisions are made for the long standing debtors (i.e., arrears). Some arrears were collected during the year and therefore the provisions made were lower.

Increase in debtors: Sundry debtors grew by 33% in FY19 to Rs. 1,809 crore. This growth was higher than the 27% growth in sundry debtors in FY18. Debtors have increased because of litigation cases (double issuances of property tax bills and generation of old bills). In addition, the increase in property tax receivables in FY19 is also on account of PMC levying a penalty of 2% per month to the defaulters which has been added in the debtors for FY19.

Civic infrastructure below target: The coverage of the civic infrastructure is below the target set by the corporation barring solid waste collection. In FY19, water supply coverage was 99%, storm water drainage is 70% of the total road lengths and sewerage coverage is 99%. Solid waste collection is 100%.

Structured Payment Mechanism

PMC has put in place a Structured Payment Mechanism to provide debt servicing support towards the principal and interest repayments of the NCDs. Under the structured payment mechanism, property tax collected and due to PMC are to be deposited every month in a separate no-lien escrow account for servicing of the bonds. Debt Service Reserve Account (DSRA) account is funded one day before the pay-in date with an amount equal to two interest payments.

The salient features of the Structure Payment Mechanism are as follows:

1. At the beginning of every month, the funds lying/ deposited in escrow account to be used in the following priority:
   a) Firstly, transfer to Debt Service Reserve Account (DSRA) to make good any shortfalls in DSRA. At all times the DSRA is maintained at 2 interest payments.
   b) Secondly, transfer to Interest Payment Account on monthly basis the stipulated amount, and any shortfall in earlier contributions.
   c) Thirdly, transfer to the Sinking Fund Account on monthly basis the stipulated amount, and any shortfall in earlier contributions.
2. Any surplus funds in the account thereafter shall be transferred out of the escrow account to account of PMC.

The debenture trustee has the lien on the Interest Payment account, DSRA and Sinking Fund accounts. The Amount deposited in Interest Payment Account, DSRA and Sinking Fund will be used solely for meeting the dues to the bondholders. Any surplus in the escrow account after meeting the dues to the bondholders can be transferred to the PMC. No amount can be withdrawn from these accounts without the approval of Trustees to the bond holders. The Funds lying credited in the sinking fund account and DSRA are being kept in Fixed Deposits with scheduled commercial bank with a dual rating of A or above. The funds lying to the credit of Sinking Fund Account are deposited in Fixed Deposit with Corporation Bank, Bank of Maharashtra and Vijaya Bank while DSRA is maintained with Corporation Bank. However, the conditions of the fixed deposits shall not restrict premature withdrawal from the Fixed Deposit. The lien has been created in favour of debenture trustee on all the investments made above. Any actual interest income earned and received on the investments made from the funds in the interest payment account and DSRA account can be utilized towards the next instalment of the interest in the interest payment account or to cover any shortfall in the DSRA account. In case, at any point of time the rating of senior debt of the Bank falls below A, the PMC has to move the funds to other bank satisfying the previous condition.

Interest Payment and Principal Repayment Mechanism

(T = Bond payment date)

Date	Event/ employed	Measures if shortfall occurs
Interest Payment Account		
T-25	Trustees will check amount in Interest Payment Account	Intimate PMC to make good for the shortfall in interest payment account 15 days prior to interest payment date.
T-14	Trustees shall re-check amount in interest Payment	Trustees will trigger the payment mechanism and bank will be instructed to transfer the shortfall amount from DSRA to interest payment account 10 days prior to interest payment date. Withdrawal from DSRA should be deposited back in the account.
T	PMC shall pay the interest on due date	
Sinking fund		
T-25	Trustees shall check credit in the sinking fund	Intimate PMC of the shortfall and PMC shall make good the shortfall 15 days prior to redemption date
T	PMC shall repay the principal	

Restrictions on the total borrowing

(A) Debt Service Coverage Ratio (“DSCR”) for the PMC will not be less than 1.5 times of operating surplus, which they have been maintaining for all the years (Details in Annexure A).

(B) The total amount collected in escrow account shall be at least 1.25 times of the Debt Service Amount on an annual basis. In case, the ratio falls below 1.25 times, PMC shall not, without the previous approval of the Trustees to the Debenture Holders, borrow any further amount against the cash flow of the escrow account.

For this purpose DSCR will be calculated based on the following formula.

(A) DSCR on operating Surplus: Debt Service Coverage Ratio (“DSCR”) for the PMC will not be less than 1.5 times of operating surplus calculated as the below:

DSCR on operating Surplus = operating surplus / total debt service

i) Operating surplus calculated as the below:

Operating Surplus = total adjusted income – total adjusted expenditure

total adjusted income =Total income – Provisions of doubtful debt – (disputed taxes >1% of the total revenue not collected during the year)

total adjusted expenditure = Total expenditure – provision of doubtful debt - Depreciation

ii) **total debt service** = interest payment + principal repayment deposited in the sinking funds or proportionate notional principal payment

As per the calculations based on the above, the DSCR of PMC continues to remain above 1.25 times.

Liquidity - Strong

The liquidity position of PMC is strong. The corporation has continued to maintain over Rs. 1,000 crore worth investments in fixed deposits for the past 4 years (FY16-FY19). Cash and bank balances of the PMC have increased from Rs. 543 crore in FY18 to Rs. 1,423 crore in FY19.

Analytical Approach: Standalone

CARE has relied on audited financial statements for FY16-FY19 provided by PMC.

Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[CARE's Methodology for Urban Infrastructure Projects]

About the Corporation
Established on February 15, 1950, PMC is the second-largest corporation in the state of Maharashtra. The corporation is governed by The Maharashtra Municipal Corporations Act, 1949 (amended from time to time). PMC is mainly responsible for the administration of the city, maintaining infrastructure facilities, and providing various civic services such as water supply, solid waste management, sewerage, education, health and others to its citizens. Pune's proximity to Mumbai, good climate, and availability of talent made it a destination for large firms. Pune has been the hub of the engineering industry for over five decades and one of the evolving business centres as it hosts various Information Technology (IT) and automotive companies.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: N.A

Rating History (Last three years): Refer Annexure 2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds	INE807X08017	June 21, 2017	7.59%	June 2027	200.00	CARE AA+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Bonds	LT	200.00	CARE AA+; Stable	-	1)CARE AA+; Stable (18-Jan-19) 2)CARE AA+; Stable (11-Jul-18)	1)CARE AA+; Stable (29-Jun-17)	1)CARE AA+; Stable (24-Mar-17)

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

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