



PUNE MUNICIPAL CORPORATION

CS KUNAL MANDWALE

FCS, DLGFM, LLB, DTL, B.com
Compliance Officer



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

22.01.2019

To,

SBICAP Trustee Company Limited

Mumbai

Subject – Submission of Quarterly compliance for the period from 1st Oct 2018 to 31st Dec 2018 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. Interest due during the quarter ended 31st December 2018 has been paid on 20th December 2018
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 2017-18 – N.A.


Compliance Officer

Pune Municipal Corporation

PUNE MUNICIPAL CORPORATION - SERIES S01											
Benpos Data As On 31/12/2018											
Sno	Dpid	Client-id	Name	Address1	Pincode	Holding	Amount	Face Value	Allot Date	Matur Date	Int Per
1	IN300386	10000287	BANK OF MAHARASHTRA	TREASURY AND INTERNATIONAL	400021	1000	1000000000.00	1000000.00	20/06/2017	20/06/2027	7.59
2	IN300476	40436344	TRUSTEE MANGANESE ORE (INDIA) LTD SENIOR STAFF PRO	MANGANESE ORE (I) LTD	440013	10	10000000.00	1000000.00	20/06/2017	20/06/2027	7.59
3	IN300476	41149122	C DAC EMPLOYEES PROVIDENT FUND	PUNE UNIVERSITY CAMPUS	411007	5	5000000.00	1000000.00	20/06/2017	20/06/2027	7.59
4	IN300870	20015655	NATIONAL TEXTILE CORPORATION LTD.,EMPLOYEES CONTRI	SCOPE COMPLEX,	110003	7	7000000.00	1000000.00	20/06/2017	20/06/2027	7.59
5	IN301151	27471403	BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LTDEMPLO	P O PARBATPUR	786623	18	18000000.00	1000000.00	20/06/2017	20/06/2027	7.59
6	IN301524	30042994	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	Standard Chartered Bank, CR	400051	658	658000000.00	1000000.00	20/06/2017	20/06/2027	7.59
7	IN301549	16940592	NATIONAL FERTILIZERS LIMITED EMPLOYEES PROVIDENT F	PROVIDENT FUND SECTION	201301	190	190000000.00	1000000.00	20/06/2017	20/06/2027	7.59
8	IN301549	17336267	BHEL EMPLOYEES PROVIDENT FUND	P B NO 2606 MYSORE ROAD	560026	77	77000000.00	1000000.00	20/06/2017	20/06/2027	7.59
9	IN302902	47378686	LUPIN LTD EMPLOYEES PROVIDENT FUND TRUST		159	400098	35000000.00	1000000.00	20/06/2017	20/06/2027	7.59
Total:						2000					

HOME


Compliance Officer
Pune Municipal Corporation

No. CARE/HO/RL/2018-19/4463

To,
Mr. Saurabh Rao, IAS
The Commissioner,
Pune Municipal Corporation,
Shivajinagar,
Pune 411 005.

January 16, 2019

Confidential

Dear Sir,

Credit rating of NCDs of PMC of Rs 200 crore

On a review of recent developments including operational and financial performance of your Corporation for FY18 (audited), our Rating Committee has reviewed the following rating:

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

- The NCDs are repayable as bullet repayment of Rs. 200 crore by 2027 (i.e., 10 years after date of issuance).
- The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently

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

crept in. Kindly revert as early as possible. In any case, if we do not hear from you by **January 18, 2019**, we will proceed on the basis that you have no any comments to offer.

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
7. CARE ratings are **not** recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



Dr. Rucha Ranadive
Associate Economist
rucha.ranadive@careratings.com



Ms. Kavita Chacko
Senior Economist
kavita.chacko@careratings.com

Encl.: As above

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CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.



**Annexure
Press Release
Pune Municipal Corporation**

Ratings

Facilities	Amount (Rs. crore)	Ratings ²	Rating Action
Non-Convertible Debentures (NCDs)	200 (Rupees 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 with high proportion of own revenue base and a sustained revenue surplus for the period FY12-FY18 (refers to period April 1 to March 31) driven by strong economic base, comfortable liquidity position and capital structure with low dependence on grants or external debt to fund its capital expenditure.

PMC benefits from the strong economic base of Pune city, being known as an evolving business centre hosting various manufacturing and automobile industries, information technology (IT), education, management and training institutes. The rating also positively factors in PMC's self-reliant revenue stream backed by more than 90% of income being generated from its own sources with strong property tax and water tax collections and non-tax revenue, mainly comprising development charges.

PMC's debt service indicators are expected to remain at a comfortable level in the medium term despite the debt funded capital expenditure plan through issuance of bonds. The corporation has undertaken a water supply project with a view to provide 24/7 water to the city. The project is expected to achieve completion in five years and generate additional tax revenue for PMC. Out of the 3 major heads such as construction of reservoirs, installation and consumer meters & bulk flow meters and rehabilitation of pipeline, the work for 82 reservoirs has already started.

The rating is however tempered by low collection efficiency and shortfalls in utility infrastructure against the set targets by PMC.

¹Complete definition of the ratings assigned is available at www.careratings.com and other CARE publications.



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, financial pressure arising out of development of newer area under its jurisdiction any higher-than-envisaged debt availed by the corporation in future, leading to weakening of debt protection indicators or decline in support from the state government in terms of GST compensation, 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 adequate balance in DSRA, sinking fund and interest payment account. All these accounts have been lien marked for the debt servicing of the bond. Bank of Maharashtra has been instructed to transfer amounts (from property tax receipts) to the interest payment account and sinking fund account on the 1st of every month. The property taxes are collected by 6-7 banks which is thereafter transferred to Bank of Maharashtra.

- Debt Service Reserve Fund: The PMC has been maintaining Rs. 15.18 crore in DSRA account which is equal to two interest payments. The funds in the DSRA has been kept as a fixed deposit.
- Sinking Fund: PMC has been depositing Rs. 1.67 crore in the sinking fund account every month. The funds in this account have been kept as fixed deposits.
- Interest payment account: PMC has been depositing Rs. 1.27 crore every month in this account and these funds have been kept as fixed deposits.

Strong financial position: The municipal corporation has been seen to be financially strong. It has been recording a revenue surplus for the past 7 years. The income/revenues of the corporation has recorded a CAGR of 8% during FY12-18.

Self-reliance: PMC has been found to be fairly self-sufficient with over 90% of its revenue being accounted by its own sources.

Comfortable liquidity position: PMC invests the surplus cash / revenue in the fixed deposits along with govt. securities and debentures and bonds. The major proportion is invested in the fixed deposits of public sector banks.

Low debt burden: PMC has low debt burden. The outstanding debt of the corporation has been declining owing to the timely servicing (repayment) of the debt obligations and no incremental borrowings. As on March 31, 2017 the outstanding debt of PMC stood at Rs. 2.77 crore, owing the repayment of loans which was paid in April 2018. As of FY18 the outstanding debt of corporation is Rs. 200 crore which is by way of bonds.

Key Rating Weaknesses

Low collection efficiency: Collection efficiency of the PMC on including arrears is 41% during FY16-FY18.

Provisions and write offs: Provisions and write off of PMC have increased from Rs. 257 crore in FY17 to Rs. 380 crore in FY18. The provisions and write off increased due to increase in debtors in FY18.

Increase in debtors: Sundry debtors of the corporation have increased substantially in FY18 – by nearly 27% (YoY) to Rs. 1,361 crore in FY18 compared with Rs. 1,075 crore in FY17.

Decrease in Capex: 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. However, in FY18, the capital expenditure declined by 7.9%.

Civic infrastructure below target: The coverage of the civic infrastructure is below the target of 100% set by the corporation. The water supply coverage of PMC has improved marginally from 93% to 94%. The storm water drainage is 104% of the total road lengths. Solid waste collection has improved from 70% to 76%. The sewerage coverage has declined from 96% in FY16 to 90% in FY18.

Pressure on finances due to new area included: The property tax collection from the new areas (11 villages) will increase in parts over the next 5 years to get them to the PMC level while expenditure to be incurred from the onset itself. The development of these regions to have a bearing on PMCs finances.

Structured Payment Mechanism

PMC has put in place a Structured Payment Mechanism to provide a liquidity support towards the principal and interest repayments of the NCDs. Under the structured payment mechanism, property tax collected and due to PMC will be deposited every month in a separate no-lien escrow account for servicing of the bonds. Firstly, a 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 shall be used in the following priority:
 - a) Firstly, transfer to Debt Service Reserve Account (DSRA) to make good any shortfall 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.

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CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)



- 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 shall have the lien on the Interest Payment account, DSRA and Sinking Fund accounts. The Amount deposited in Interest Payment Account, DSRA and Sinking Fund shall 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 Interest Payment Account and DSRA can be kept in Fixed Deposits with any scheduled commercial bank with a dual rating of AA or above. However, the conditions of the fixed deposits shall not restrict premature withdrawal from the Fixed Deposit. The funds lying to the credit of Sinking Fund Account can be deposited in Fixed Deposit with any scheduled commercial bank with a dual rating of AA and above and/or in Government Securities and Treasury Bills. The lien shall be 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 installment of the interest in the interest payment account or to cover any shortfall in the DSRA account.

DSRA, Interest Payment Account and Sinking Fund Account shall be maintained with Bank of Maharashtra or the scheduled commercial bank rated at least A by two rating agencies through the tenor of the instrument. 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
- (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.

Liquidity condition

As on 31st December, 2018, the bank balances of the PMC were Rs. 1,496 crore.

Analytical Approach: Standalone

CARE has relied on audited financial statements for FY12-FY18 provided by PMC.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Financial ratios – Non-Financial Sector

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

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.

Analyst Contact

Name: Kavita Chacko

Tel: 022 – 67543687

Email: kavita.chacko@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Bonds	LT	200.00	CARE AA+; Stable	1)CARE AA+; Stable (11-Jul-18)	1)CARE AA+; Stable (29-Jun-17)	1)CARE AA+; Stable (24-Mar-17)	-

22.01.2019

To,
SBICAP Trustee Company Ltd.
Mumbai

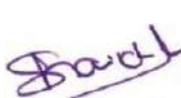
Subject: Certificate for quarter ended 31.12.18 for bonds raised by Pune Municipal Corporation of Rs.200 Cr.

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 31.3.2018, 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 and Co.
Chartered Accountants
FRN 122158W

CA MOHSEEN S SHAIKH
Partner M No
155487 Pune

22.01.2019

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/-
July-17	05/07/2017	4,12,71,804/-	195,87,28,196/-

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

Amount received till date (Cumulative)	Amt Paid Rs. till date (Cumulative)	Balance Unutilized Rs.
39,90,00,000/-		2,88,43,197
-	37,01,56,803	2,83,52,047/- 4,91,150/- (Interest for Quarter)

Balance in bank as on 31/12/2018.

Bank	FD Amount	Purpose
Bank of Maharashtra	1,54,41,310/-	Interest Payment Provision
IDBI Bank	15,18,00,000/-	DSRA Provision
IDBI Bank	6,67,00,000/-	Sinking Fund Provision
Bank of Maharashtra	24,65,77,054/-	Sinking Fund Provision

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

CA MOHSEEN S SHAIKH
Partner M No
155487 Pune