


India Ratings and Research (Ind-Ra) assigned Gorakhpur Nagar Nigam (GNN) a Long-Term Issuer Rating ie IND BBB-



India Ratings
& Research
A Fitch Group Company

Public Finance

Urban Local

Gorakhpur Nagar Nigam

Issuer Credit Research

Ratings

Long Term Issuer Rating **IND BBB-**

Outlooks

Long Term Issuer Rating **Stable**

Financial Data

Gorakhpur Nagar Nigam

Particulars	31 Mar 16 Actuals	31 Mar 15 Actuals
Operating revenue (INR million)	1,454.85	1,318.44
Revenue surplus (INR million)	545.65	411.35
Operating margin (%)	37.51	31.25
Total debt (INR million)	0	0

Key Rating Drivers

Comfortable Financial Performance: India Ratings and Research (Ind-Ra) assigned Gorakhpur Nagar Nigam (GNN) a Long-Term Issuer Rating in May 2017. The rating reflects GNN's revenue receipts increased at a CAGR of 19.80% to INR1,454.85 million over FY13-FY16. GNN's revenue sources are tax revenue, non-tax revenue and other income (share in taxes and duties, and income from the sale of forms and publications), which contributed an average 10.60%, 5.02% and 1.80% to revenue income during FY13-FY16, respectively. Revenue margin improved to 37.51% in FY16 from 35.55% in FY13. The improvement was primarily due to controlled expenditure (FY13-FY16 CAGR 18.57%) and revenue growth (FY13-FY16 CAGR 19.80%).

Potential Improvement in Infrastructure Facilities: GNN has a lot of scope for improving infrastructure facilities, given its selection under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme. The city has got a proper drainage system, used by 98% of the population. GNN targets to cover the whole population under the system by 2017. Under the AMRUT scheme, INR16.42 billion has been sanctioned to improve water supply, sewerage network and green spaces over FY17-FY21. Ind-Ra expects the AMRUT scheme to bolster civic infrastructure in the city.

High Dependence on UP Government: GNN has a high level of dependence on the Uttar Pradesh (UP) government (i.e. revenue grants and equity contributions). Revenue compensation and revenue grants collectively contributed an average 79.92% to revenue income during FY13-FY16.

Lack of Economic Activity in Gorakhpur: Economic activity in Gorakhpur is not buoyant and it, thus, affects GNN's revenue. Ind-Ra believes an increase in economic activity in the city could provide a fillip to GNN's revenue and, thus, credit profile.

Rating Sensitivities


Positive: A significant improvement in GNN's operating performance and timely execution of smart city and AMRUT projects, would be positive for the rating.

Negative: An unexpected withdrawal of revenue support by the state government without a suitable compensatory plan would trigger a negative rating action.

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29 May 2017

