Acuite RATINGS & RESEARCH

Press Release

September 01, 2026

PATNA MUNICIPAL CORPORATION
Rating Assigned

Product	Quantum (Rs. Cr) (SEBI)	Quantum (Rs. Cr) (Other FSR)	Long Term Rating	Short Term Rating	Regulated By
BOND	0.01	0.00	ACUITE A+ | Stable | Assigned	-	SEBI
BOND	199.99	0.00	Provisional | ACUITE AA | Stable | Assigned	-	SEBI
Total Outstanding	200.00	0.00	-	-	-
Total Withdrawn	0.00	0.00	-	-	-

Note:- For activities or ratings of instruments falling under the purview of Financial Sector Regulators other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Rating Rationale

Acuite has assigned the long term rating of **'Provisional ACUITE AA' (read as Provisional ACUITE double A)** on the Rs.199.99 Crore Bond of Patna Municipal Corporation (PMC). The outlook is **'Stable'.**
The rating on the above mentioned proposed bond of Rs.199.99 Crore is provisional and the final rating is subject to receipt of pending documentation as below:

- Final NCD term sheet
- Executed agreement with debenture trustee and trust deed
- Any other document relevant to the issue

Further, Acuite has assigned the long term rating of **'ACUITE A+' (read as ACUITE A plus)** on the Rs.0.01 Crore Bond of Patna Municipal Corporation. The Outlook is **'Stable'.** The rating on this proposed bond of Rs.0.01 Cr. is not tied up with any structured payment mechanism.

Rationale for rating

The rating takes into consideration healthy financial risk profile supported by negligible debt and comfortable capital structure albeit decrease in networth due to grants and contribution used for specific purposes. The rating further draws comforts from the structured payment mechanism which will be backed by an interest payment account (IPA) and a sinking fund account (SFA). The IPA shall be funded with the required amount in a debt service reserve account (DSRA)-equivalent to four succeeding coupon payments, prior to the pay in date, to be maintained during the tenor of the bonds. Acuite expects that PMC would be able to receive adequate Tax Revenue, Rental Income from municipal Properties, Fees and User Charges, Sale and Hire Charges, Income from investment, Interest earned and other Income (To be transferred to escrow account and meets its debt obligations. The rating is, however, constrained by PMC's ability to increase its collections which will remain a key rating sensitivity.

About the Company

Patna Municipal Corporation (PMC), also known as Patna Nagar Nigam, is the urban local governing body responsible for the administration and development of Patna, the capital city of Bihar. It was established on 15 August 1952 under the Patna Municipal Corporation Act, 1951. PMC is headed by the mayor, supported by the Deputy Mayor, elected Ward Councillors, and the Municipal Commissioner. The functions of the PMC include water supply, drainage and sewage, sanitation, solid waste management, street lighting, and building regulation. It also deals with issue of birth and death registrations.
PMC administers an area of approximately 108.87 sq. km and functions through 75 wards grouped under six administrative circles: New Capital, Patliputra, Kankarbagh, Bankipur, Azimabad, and Patna City.

Unsupported Rating
ACUITE A+/Stable

Analytical Approach
Acuité has considered the standalone business and financial risk profiles of Patna Municipal Corporation to arrive at the rating.

Key Rating Drivers

Strengths
Strong Economic Base and Sustained Operating Income

Patna, the capital city of Bihar, is one of the largest administrative, commercial, and service-sector hubs in eastern India. The city has a diversified economic base supported by agricultural trade, agro-based industries, government administration, education, healthcare, retail, and real estate activities. As the political and administrative centre of the state, Patna continues to attract public and private investments, supporting urban development and employment generation. Reflecting the city's economic importance, PMC reported revenue of Rs. 683.53 crore in FY2026 as against Rs. 683.59 crore in FY2025. The revenue profile of PMC includes tax revenues, assigned revenues and compensations, fees and user charges, rental income from municipal properties, sales and hire charges, revenue grants, excess provisions written back and income from investments. Acuite believes that Patna's strong economic profile and continued urbanisation will support the operational performance over the medium term.

Healthy Financial Risk Profile

The financial risk profile of the entity is healthy marked by net-worth of Rs.2952.20 Crore as on 31*st* March 2026 against Rs.3141.64 Crore as on 31*st* March 2025. The decrease in the net-worth was on an account of grants and contributions used for specific purposes. Further, the gearing ratio of PMC stood at 0.01 times as on 31*st* March 2026. PMC has unsecured loan from State Govt. of Rs. 41.00 Cr. and Rs.2.99 Cr. from a financial institution for the purchase of sanitation vehicles. The loan from the financial institution has a dedicated repayment schedule which is expected to be closed by March 2028. The TOL/TNW ratio stood at 0.10 times as on 31*st* March 2026 against 0.11 times as on 31*st* March 2025. The DSCR stood comfortable in FY26 due to negligible debt servicing obligations. Acuite expects PMC to raise Rs. 199.99 crore through municipal bonds in FY2027 to part-finance the identified capital expenditure. Post issuance of the municipal bonds, Acuite expects PMC’s debt servicing indicators to remain comfortable over the tenure of the proposed bonds. As per the draft term sheet, repayment of principal is structured through annual redemptions commencing from the 4th year from the Deemed Date of Allotment, thereby providing adequate time for cash flow stabilisation. Further, the structured payment mechanism comprising the Escrow Account, Interest Payment Account (including DSRA) and Sinking Fund Account, along with the stipulated funding requirements and reserves, is expected to support timely debt servicing obligations.

Presence of structured payment mechanism

The Issuer shall set up a separate no-lien Escrow Account and the funds lying in account(s) in which the Tax Revenue, Rental Income from municipal Properties, Fees and User Charges, Sale and Hire Charges, Income from investment, Interest earned and other Income are collected and/ or pooled by the Issuer shall be transferred to the Escrow Account for debt servicing on daily basis. The funds should be first utilized to meet the Minimum Balance in Escrow Account which entails maintenance of a Debt Service Reserve Account (DSRA), Sinking fund Account (SFA) and Interest Payment Account (IPA) The minimum balance shall not be used for any purpose other than transfer to the DSRA, IPA and SFA. For ensuring maintenance of the Required DSRA Amount, the Interest Payment Account shall be funded 1 day prior to the Pay-In Date with an amount equal to the four succeeding Coupon payments required to be paid by the Issuer in respect of the Debentures (Required DSRA Amount).

IPA (Interest Payment Account)

An amount, as specified in the terms of bonds, will be transferred to IPA from Escrow Account on a monthly basis. The debenture trustee shall check the amount in IPA at least 25 (T-25) days prior to the interest payment date. In case of any shortfall in the amount, the trustee shall intimate the issuer of the shortfall and Issuer shall cover the shortfall prior to 10 days (T-10 days) of the interest payment day. If the corporation fails to cover the shortfall at T-10, trustee shall trigger the payment mechanism and instruct the banks to utilise the DSRA amount for meeting the shortfall in the IPA at 09 days (T-09 days) prior to interest servicing day. The bank shall transfer the deficit from DSRA to IPA at 08 days (T-08 days) prior to the interest servicing day. In case the DSRA Amount (or part thereof) is utilized to fund the shortfall in the amount required to make payment of the Coupon in respect of any Coupon Payment Date, immediately after the Debenture Trustee has instructed the Bank to utilise the DSRA Amount as above and in any event prior to 7 (Seven) days prior to the relevant Coupon Payment Date (T-7). The debenture trustee would issue a final notice in writing to the issuer. On the issuance of such notice, the issuer shall make good the DSRA amount shortfall within next 15 days (T+8). Further, immediately after the DSRA Utilization, the amount lying in the escrow account shall flow into the IPA for DSRA replenishment and shall not be transferred by the issuer to the general fund account till the time the required DSRA amount is replenished.
Terms and Conditions
The DSRA shall be created with an amount equivalent to the four succeeding coupon payments (1 year interest obligation) needs to be maintained. The funds (Tax Revenue, Rental Income from municipal Properties, Fees and

User Charges, Sale and Hire Charges, Income from investment, Interest earned and other Income) received in the Escrow Account will be transferred to IPA and SFA on a monthly basis as per the terms of the bond. As regards the interest payments quarterly funded in first 8 months in the 12 months block, the IPA will be funded on a monthly basis. SFA, which shall be funded first 10 months in 12 months block equivalent to the amount as per the terms of bond issuances.

SFA (Sinking Fund Account)

The debenture trustee shall check the amount in SFA at least 45 (T-45) days prior to end of each 12-month block. In case of any shortfall, the Debenture Trustee shall intimate Issuer of the shortfall and Issuer shall make good the Sinking Fund mismatch 15 (Fifteen) days prior to the end of each 12-month block (T-15 days). Further, the amounts lying or credited in the escrow account shall flow into the sinking fund account for funding the shortfall and shall not be transferred by the issuer to the general fund account(s) till the time the shortfall is funded. The Issuer shall cover the shortfall prior to 15 days (T-15 days) prior to end of each 12 months' block. If shortfall still persists at T-14 days, Debenture Trustee shall issue a final notice to the issuer. On the issuance of such notice, the issuer shall remit the funds to fund the shortfall into the Sinking Fund Account prior to the end of each 12-Month Block (T).
The AMRUT incentive expected to be received by the Corporation from Government of India (GoI) for issuing municipal bonds (equivalent to 13% of the total bond issue size) shall also be kept in the form of fixed deposits (lien marked to the Debenture Trustee) after the receipt from GoI (post issuance of municipal bonds) and shall be utilized proportionately for coupon payments over the entire tenor of bonds.

Weaknesses

Moderate collection efficiency and decline in profitability margins during FY26

The property tax revenues remained moderate in FY26 at Rs. 162.68 Cr. compared to Rs. 148.40 Cr. in FY25 driven by the expansion of the tax base following geographic information system-based mapping and assessment of properties. Also, the collection remained moderate for current cycle at 88.83% in FY26 and 52.91% of overall efficiency (including arrears and current bills). The operating margin declined to 19.33 per cent in FY2026 as against 24.18 per cent in FY2025 due to increase in employee costs and repair & maintenance costs. Further, the PAT margin declined to 9.98 per cent in FY26 as against from 15.63 per cent in FY25 due to its operating performance. Acuite believes that the profitability margins will increase over the medium term considering that major repairs have been undertaken in earlier years and cost of proposed NCD is expected to remain small which will not undermine the overall profitability of PMC.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

The structured payment mechanism alongwith expected cash flows of the PMC is expected to be self-sufficient for funding the obligations of proposed NCDs.
Stress case scenario: Acuite sensitized that the property tax which is expected to be collected, which would be transferred to escrow account, even if adjusted by 50%, the Corporation would be able to meet its debt obligations. Over and above this, the Corporation is expected to maintain DSRA which is to be replenished in a time bound manner in case of meeting any exigency and shortfall.

Rating Sensitivities

Potential triggers (individual or collective) for an upward rating action:

- Sustained growth in revenues with improvement in operating and net margins
- Tax collection efficiency to increase to 90%

Potential triggers (individual or collective) for a downward rating action:

- Non-adherence to the Structured Payment Mechanism (SPM).
- Significant deterioration in leverage profile or debt protection metrics due to higher-than-expected debt drawdowns
- Significant reduction in property tax collections below 50 percent resulting in the escrow account balance falling below the stipulated levels

All Covenants

- Financial Covenants are given below:
1.The Issuer shall, at all times till the Debentures are outstanding, ensure that the total amounts collected in the Escrow Account in any financial year shall be at least 2 (Two) times of the Annual Payments amount. For the purpose of this term sheet, the term 'Annual Payments' shall, in respect of any financial year, mean the aggregate of: (a) the Coupon payable in such year (in relation to the present bond issue and any further borrowings); and (b) the portion of principal amount of the Debentures which are required to be deposited by the Issuer into the Sinking Fund Account in such financial year (in relation to the present bond issue and any further borrowings), in terms hereof.

2. Debt Service Coverage Ratio (DSCR) shall mean the ratio of operating surplus to total debt servicing, which shall not be less than 1.25 times of operating surplus calculated as on 31st March for each year financial year (starting from 31st March 2027 till the time bonds are outstanding) as below:
i. Operating surplus calculated as the below:

Operating Surplus = Total Income - Adjusted Expenditure
Total income = Total income of the corporation as per the audited Income and Expenditure statement.
Adjusted Expenditure = Total expenditure as per the audited Income and Expenditure statement - Depreciation - Finance charges - Provisions and Write offs - other non-cash expenditures
ii. Total debt service = interest payment of loans and bonds + transfers made to the sinking fund account towards principal repayment / redemption + principal repayment / redemption (Excluding those made out of the sinking fund account).

So long as the Eligibility Conditions are met, the Issuer shall be entitled to raise further financial indebtedness based on its cash flows including the cash flows through the Escrow Account, provided that it is clarified that nothing in this provision should be construed to permit the creation of any encumbrance over the hypothecated property without the express prior written consent of the debenture trustee.

For the purpose of this term sheet, the term 'Eligibility Conditions' shall mean the following conditions: (a) the Annual Payments Ratio is maintained by the Issuer; (b) the Minimum DSCR of 1.25 times is maintained by the Issuer; (c) there is no shortfall in the contribution to the Escrow Account, the Interest Payment Account (including towards maintenance of the Required DSRA Amount) and/or the Sinking Fund Account which has not been made good by the Issuer in terms of the Transaction Documents; (d) no Event of Default has occurred.

3. Other financial covenants as defined in the Transaction Documents
Transaction Documents- The documents executed in relation to or which are relevant to the Issue including the Preliminary Placement Memorandum/ the Placement Memorandum along with all annexures, the Issue Agreement, the Issue Proceeds Agreement, the Debenture Trustee Agreement, the Registrar Agreement, the Debenture Trust Deed, the Deed of Hypothecation, the Escrow Agreement, the Tripartite Agreements with NSDL and CDSL and any other agreement or document designated as such by the Debenture Trustee (acting on the instructions of the Majority Debenture Holders).

- **Affirmative, Informative and Negative Covenants:** As indicated in the relevant Annexure and more specifically set out in Debenture Trust Deed.

Liquidity Position

Strong

PMC has a strong liquidity marked by healthy net cash accruals of Rs. 157.03 Cr as against negligible debt repayments as on March 31, 2026. The entity maintains surplus cash and bank balances of Rs. 1327.08 Cr in FY26 as against Rs.1341.02 Cr in FY25. The Current ratio stood at 8.96 times in FY26. The receivables of the corporation remained efficient, wherein the debtor days stood at 43 days as on 31st March 2026 as against 42 days as on 31st March 2025. Further PMC has maintained Rs. 16.23 crores investment in the form of grant with general funds and other funds. Further, the entity also receives capital grants that provide additional liquidity to fund the capex requirements. Further, the proposed issuance of municipal bond benefits from a structured payment mechanism under which debt servicing obligations shall be supported through the earmarking of collections from Tax Revenue, Rental Income from Municipal Properties, Fees and User Charges, Sale and Hire Charges, Income from Investments, Interest Earned and Other Income. These identified streams will be routed through the Escrow Account, over which the Debenture Trustee shall have a first and exclusive charge on behalf of the Debenture Holders. Acuite believes that the liquidity is likely to be supported by its identified revenue streams, surplus cash and bank balances and structured waterfall mechanism for payment regarding the proposed issuance of municipal bonds.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 26 (Actual)	FY 25 (Actual)
Operating Income	Rs. Cr.	683.53	683.59
PAT	Rs. Cr.	68.19	106.88
PAT Margin	(%)	9.98	15.63
Total Debt/Tangible Net Worth	Times	0.01	0.01
PBDIT/Interest	Times	993.45	1153.46

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Supplementary disclosures for Provisional Ratings Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuité will withdraw the existing provisional rating and concurrently assign afresh final rating in the same press release, basis the revised terms of the transaction.

Rating that would have been assigned in absence of the pending steps/documentation

The structure would have become null and void for the instrument. The rating of the instrument would have been equated to the unsupported rating of the issuer (ACUITE A+/Stable).

Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Urban Local Bodies : https://www.acuite.in/view-rating-criteria-57.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Listing Status	Regulated By	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Bond	Proposed to be Listed	SEBI	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	199.99	Simple	Provisional | ACUITE AA | Stable | Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bond	Proposed to be Listed	SEBI	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.01	Simple	ACUITE A+ | Stable | Assigned

Note:- For activities or ratings of instruments falling under the purview of Financial Sector Regulators other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Contacts

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List of instruments and names of regulators of the instruments

As required by SEBI Circular (SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026) dated February 10, 2026, a list of activities or instruments falling under the purview of various Financial Sector Regulators (FSRs), along with the names of respective FSRs, is being disclosed below:

A. Rating Activity:

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)[1] [6]	RBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)[1]	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)[1]	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs [2]	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11 a	Fixed Deposits raised by NBFCs, HFCs, FIs	RBI
11 b	Fixed Deposits raised by Banks [7]	+
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme [3]	-
15	Issuer Ratings [4]	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts [6]	RBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs) [7]	+
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
24	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) [1]	Investor-side Regulator such as IRDAI, PFRDA [5]

[1] Includes securitisation transactions involving assignee payout, acquirer's payout.

[2] Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

[3] The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In Press Release(s) subsequent to issuance(s), Acuite shall separately capture the rated quantum details along with names of respective regulators.

[4] There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

[5] These ratings were assigned during regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10,

2026 and accordingly, investor side regulators have been included.

[6] *By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.*

[7] *To be finalized following a discussion with the regulatory authorities.*

B. Other activities:

Sr. No.	Activity Name	Regulator of the activity
1	Monitoring Agency	SEBI
2	Research activities, incidental to rating, such as research for Economy, Industries and Companies [8]	Not applicable

[8] *permitted by SEBI vide SEBI Master Circular for CRAs.*

Disclosure on instruments / activities and names of regulators:
A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has also been duly disclosed by Acuite on its website. A link to the same has been provided below for ready reference:
https://acuite.in/Activities-and-Regulators.html

About Acuité Ratings & Research
Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer:
An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit https://www.acuite.in/faqs.htm to refer FAQs on Credit Rating.

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