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ICRA retains the IrBBB+ rating assigned to the Mysore City Corporation

ICRA has retained the Issuer Rating of IrBBB+ (pronounced I R triple B plus) assigned to the Mysore City Corporation (MCC).

While assigning the Issuer Rating, ICRA has taken the State Government of Karnataka's (GoK's) economic and financial position into consideration and also factored in MCC's own performance with respect to its dependence on the State's finances; extent of cost recovery; progress made in implementing key reforms and basic service delivery standards. The rating factors in the adequate credit profile of GoK; MCC's consistent growth in revenues, which in turn has led to a consistent revenue surplus position that has broadly displayed an improving trend, and the growing importance of the Mysore city as an Information Technology (IT)/ Information Technology enabled Services (ITeS) centre in the State. The rating also factors in MCC's recent efforts to enhance the participation of citizens through the formation of Citizen Action Committees and strengthen the grievance redressal system, which are likely to make the Corporation more responsive to the needs of its citizens going forward.

The rating is, however, constrained by the inadequate level of basic services provided by MCC like water supply and solid waste management; and its high dependence on the State Government for grants, although a majority of such grants are rule-based and therefore non-discretionary in nature. MCC's water supply system suffers from a significant level of unaccounted for water and non-revenue water that depress revenues. Additionally, the solid waste collected in the city is not being scientifically treated at present. As a part of the JNNURM programme, MCC has committed to undertake certain time-bound reforms. While there has been significant progress made at both the State and the Corporation levels in this regard, MCC has been unable to meet some reform targets - mainly those related to improvements in collection efficiency and improvements in cost recovery of services through imposition of adequate user charges. Out of the five approved JNNURM projects of MCC, three projects are being implemented by the Corporation itself, while the other two are being implemented by a State level agency. Until March 31, 2010, MCC incurred an expenditure of around 15% only of the total approved cost of the three projects that it is implementing. Additionally, ICRA notes that MCC is yet to release its own share of funds towards any of its five sanctioned projects. The low proportion of the cost incurred so far could potentially lead to delays in the commissioning of the projects, which in turn may affect the financial health as well as the service standards of MCC.

About the Corporation

Established under the Karnataka Municipal Corporations Act 1976, MCC serves a population of 7.86 lakh (2001 census) in the city of Mysore, the second-largest city in the State of Karnataka. Mysore is an important tourist centre in Karnataka and is also growing in importance as an IT/ITeS centre due to its proximity to Bangalore. MCC is divided into 65 administrative wards and extends over an area of 128 sq. km. The obligatory functions of MCC include water supply, sanitation and solid waste management, besides maintenance of roads, bridges, parks and playgrounds. The main decision-making body of MCC is the Council, comprising elected representatives, while the administrative wing headed by the Commissioner looks after the day-to-day operations.

In 2009-10, according to the revised estimates, MCC generated a revenue surplus of Rs. 54.20 crore¹ on the back of a total revenue receipt of Rs. 170.41 crore; and had a closing cash balance of Rs. 44.61 crore.

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¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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