



Srinagar Municipal Corporation

ICRA has reaffirmed the Issuer Rating of **IrBB-** (pronounced I R double B minus) assigned to Srinagar Municipal Corporation (SMC).

While reaffirming the Issuer Rating, ICRA has taken into consideration the economic and financial position of the State Government of Jammu and Kashmir (GoJK) and also factored in SMC'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 also factors in the strategic importance of SMC to the State as a tourist destination and its summer capital, improvement in the revenue position of SMC over the last few years following the formula based devolvement of SMC's share in State revenues, which has resulted in a revenue surplus position for the Corporation, and SMC's efforts to introduce user charges for solid waste management (SWM) services to recover the cost of service delivery to an extent. The rating, however, is constrained by the moderate credit quality of the State Government. The rating is also constrained by the limited services being provided by SMC on account of non-transfer of major municipal services (SWM is the major service provided by SMC), which has constrained its ability to levy taxes, thereby resulting in a low own revenue base. Further, there are many State level agencies which are involved in providing other municipal services such as water supply, sewerage, urban planning and maintenance of roads, for which the coverage levels and quality of services are inadequate due to weak infrastructure that is needed to provide these services. These services are further marked by inadequate user charges and low collection efficiencies. Therefore, if these functions eventually get transferred to SMC, it may deteriorate the financial profile of the Corporation. The rating also factors in the huge establishment expenditure of SMC, which accounted for more than 85% of SMC's revenue expenditure during 2010-11. However, a rule based regular transfer of SMC's share in the State Government revenues limits the Corporation's dependence on discretionary transfers from the State. Nevertheless, with high expenditure levels, SMC has been left with limited financial resources to undertake major capital investment towards civic infrastructure.

Out of the five projects approved under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), SMC is implementing only one project, viz. housing for the urban poor. As on August 31, 2011, SMC was able to utilise only 24% of the total funds released by the Government of India (GoI) and GoJK. As a part of JNNURM, SMC has committed to undertake certain reforms; however, the unsatisfactory progress in the implementation of most of these reforms at both the urban local body (ULB) and the State levels is also a constraining factor.

About the Entity

Established under the Jammu and Kashmir Municipal Corporation Act, 2000, SMC serves a population of almost 11.70 lakh (Census 2011, provisional) and an area of 246 sq. km. The municipal area of Srinagar is divided into 68 wards. The major functions of the corporation include SWM, storm water drainage, maintenance of slaughter house and maintenance of birth and death records. The main decision making body of SMC is the Council, comprising elected representatives, while the administrative wing is headed by the Commissioner. The last council's tenure has expired in April 2010, and the election for the next Council is pending. In the absence of a Council, the functions of SMC are being administered by the Administrator appointed by GoJK.

As per the revised estimates for 2010-11, SMC generated a revenue surplus of Rs. 10.63 crore on an overall revenue base of Rs. 100.01 crore.



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