

Ongole Municipal Corporation

ICRA has assigned the long-term issuer rating of IrBBB (pronounced I R triple B) to Ongole Municipal Corporation (OMC/Corporation).¹ The outlook on the long-term rating is stable.

The assigned rating derives comfort from OMC's importance to the State Government as a provider of key municipal services to the city of Ongole, the headquarter of the Prakasam district. Such importance is reflected by the regular financial support received by OMC from the Government of Andhra Pradesh (GoAP). The rating also derives comfort from the revenue-surplus position of the Corporation, which enables it to part-fund its capital expenditure requirements from internal sources. Satisfactory collection levels of property tax and regular receipt of assigned revenues from the GoAP support its liquidity position to an extent. The rating also factors in OMC's satisfactory collection level of municipal solid waste and a high coverage of population for water supply services. However, ICRA notes that the Corporation does not provide a sewerage service at present, scientific treatment of municipal solid waste is minimal and per capita water supply level is not adequate.

The rating is, however, constrained by the moderate size of OMC's revenues, which has been growing at a slow rate, and a low percentage of metered water service connections, which limits OMC's ability to collect usage based water charges. Further, the rating is also impacted by the risk associated with execution of large projects under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme, given OMC's limited experience in handling large and complex projects. Nevertheless, ICRA expects that OMC will derive support from the State Government for funding the project and for capacity-building of the municipal staff; this is likely to mitigate the risks related to execution of a large project. ICRA believes that given the lack of availability of audited accounts, implementation of accrual-based accounting and capability building of municipal staff in this regard would be critical going forward from a credit perspective.

Entity Profile

Ongole Municipal Corporation (OMC), established in 2012, is governed as per the Andhra Pradesh Municipal Corporations Act 1994 (Act). OMC manages the municipal services in Ongole town, the headquarter of the Prakasam district in Andhra Pradesh, is located 20 km from the Bay of Bengal. The Ongole Municipality, established in 1876, was upgraded to a Municipal Corporation in 2012 and its jurisdiction was expanded by merging the surrounding villages with the town. It is the prominent commercial centre of the Prakasam district. OMC covers an area of 132.45 square kilometer (sq. km.) and serves a population of 2.53 lakh (as per Census 2011). The major functions include water supply, solid waste management, and construction, repair and maintenance of roads and streetlights in its area. OMC is divided into six municipal divisions and 50 municipal wards and in the absence of the Council, is currently governed by a Special Officer appointed by the Government of Andhra Pradesh (GoAP), who enjoys the powers and functions of the Council. The administrative division is headed by the commissioner of OMC.

Recent Results

In 2014-15, OMC generated a revenue surplus of Rs.17.0 crore on a total revenue receipt of Rs.33.6 crore as compared to a revenue surplus of Rs.20.6 crore on a total revenue receipt of Rs.32.7 crore in 2013-14.

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For further details please contact:

Analyst Contacts:

Mr. Jayanta Roy, (Tel. No. +91-33-22876617 / 22800008)
jayanta@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91 33 7150 1100)
jayantac@icraindia.com

¹For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001

Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002

Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,

Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020

Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035

Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'

Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008

Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006

Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020

Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083

Tel:- +91-40-40676500