

**Draft Credit Rating Report
On
Corporate Credit Rating of
AgraMunicipal Council (AMC)**

**As part of the
Atal Mission for Rejuvenation and Urban
Transformation (AMRUT)**

Submitted to
Urban Local Bodies Directorate, Lucknow

CRISIL Limited

Background

CRISIL has been mandated by Urban Local Bodies Directorate, Lucknow to undertake a credit rating of AgraMunicipal Council (AMC) under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme. Towards this objective, CRISIL adopted a rigorous, multi-tier, analytical credit rating process. As part of the assignment, CRISIL undertook an exhaustive analysis of six broad credit risk parameters: legal framework provided by the governing Act, economic profile of the service area, financial risk assessment, operating efficiency and service quality, managerial assessment and project risk. The above analysis was supported by the management interactions and first-hand assessment of the ULB through visits wherever possible. The team interacted with key officials such as Executive Engineer and Accounts personnel. CRISIL also used this opportunity to disseminate the objectives of the credit rating exercise to the managerial and operating officials; in most instances, this ensured their high degree of involvement in the exercise. In addition, the credit rating involved the analysis of budget documents and other secondary information, namely, City Development Plan, AMRUT SLIP, Census of India etc. The credit risk evaluation process culminated in a discussion at the Rating Committee, which consists of experts and professionals of the highest distinction. The quality of information provided by some ULBs as well as that available in documents submitted by them have sometimes been slightly inadequate; this posed a certain degree of information risk to the rating exercise and the same has been factored in the rating assigned, wherever such a situation arose.

This report is in fulfilment of the objectives as outlined above and forms a key deliverable that not only furnishes the rationale behind the rating assigned, but also details the individual components of the credit rating.

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1. Executive Summary

1.1 Rating Rationale

Corporate Credit Rating

'CCRBBB/Stable' (Assigned)

Rating Drivers

Strengths

- Good economic base due to importance in the state as an major administrative, religious and education hub along with good connectivity
- Favourable legislative framework
- Strong support from the Government of Uttar Pradesh (GoUP)
- Moderate financial risk profile

Weaknesses

- Weak economic management, reflected in constrained existing revenues with poor collection efficiency and zero cost recovery of maintenance
- Inadequate service arrangements
- Exposure to project risk given its limited execution capabilities- projects being undertaken are large compared to its past track record

❖ Upside/ Downside Scenario

Upside Scenario

- Generate additional revenue sources
 - The Uttar Pradesh Municipal Act empowers AMC with power to levy a number of taxes like property tax on land and building, fire tax, tax on advertisements, tax on profession, tax on congregation, tax on tourists and pilgrims etc.
 - The corporation can also raise revenues through user charges such as toll on roads, provisions for sewerage and drainage and any other civic service.
 - Introduce new charges under by-laws for various services provided
- Increase collection efficiency in existing own revenue sources
 - Improvement in collection efficiency of General tax through
 - Completion of property survey leading to increase in number of assessed properties
 - Proper billing and facility of online payments
 - Deploying adequate staff for collection
 - Timely increase in District Level Committee (DLC) rates for determining the UDT
 - Timely and reasonable increase in fees, charges and rentals charged by the corporation
- Improvement in service levels

- Improvement in existing services provided by the corporation like sewerage, drainage and solid waste management
- Sustained improvement in liquidity profile

Downside Scenario

- Decline in support from GoUP
 - Adequacy and timeliness of the octroi compensation and other grants
 - Degree of timeliness in availability of funds under AMRUT and Smart city
- Extent of debt funding for planned capital expenditure (capex)
 - The corporation plans to fund its contribution for the planned capex through internal accruals.
 - Any major debt raised towards funding its contribution may lead to a pressure on ULB's financials and rating.

1.2 Key rating Issues

The rating is supported by the following strengths:

Strengths:

- **Good economic base due to importance in the state as a major administrative, religious and education hub along with good connectivity**

Agra city is an important administrative, religious & educational hub of the state. The Agra Municipal Corporation (AMC) is among the largest municipal bodies in the state of Uttar Pradesh providing civic services to the estimated population of 1,686,976 (as per 2010 est.) Within its jurisdiction are some of the most attractive tourist spots of the world including TAJMAHAL and SIKANDARA. AMC came into existence under Nagar Mahapalika Adhiniyam, 1959 of UP.

AMC has responsibilities to provide basic infrastructure facilities including entertainment facilities to the people of the city. AMC is very well known for the managing the city by using private sector participation as well as introduction of innovative mechanism in management to serve people efficiently. City has prepared different plans for improving services and to nullify gap between services and demands. Health Department of AMC takes up the responsibility of management with Chief Health Officer heading the department whereas Engineering Department assists in the procurement of the vehicles, equipment and developing the landfill site, etc. The Health Department has total employee strength of 2299 out of which 2090 (90.9%) are the sanitary workers.

The economy of Agra Due to the presence of the Taj Mahal and other historic monuments, Agra has a booming tourism industry as well as royal crafts like Pietra Dura, marble inlay and carpets. Apart from Tourist business, the 40% of the population of Agra depends largely on agriculture, and others on the leather and footwear business and iron foundries. Agra has

many industries. Uttar Pradesh's first plant biotech company Harihar Biotech is located near the Taj. There are about 7,000 small scale industrial units. Agra city is also known for its leather goods, the oldest and famous leather firm Taj Leather World is in Sadar bazar . The carpets, handicrafts, zari and zardozi (embroidery work), marble and stone carving and inlay work. Agra is known for its sweets, garment manufacturers and exporters and an automobile industry.

Furthermore, Agra is well connected from all sides through rail and road. Idgah Bus Stand, Taj Depot, Ford Depot and Inter State Bus Terminal (ISBT) are the major bus stands in Agra, connecting Agra to most of the bigger cities in North India. It is a major junction of highways with 3 national highways and 2 expressway (Yamuna Expressway & Agra Lucknow Expressway) originating from Agra. Agra has domestic Airport also which connects it to various cities.

- **Favourable legislative framework**

AMC is is governed by the Uttar Pradesh Municipal Corporation Act, 1959 (last amended in 2009). The Act stipulates core services such as sewerage, storm water drainage, solid waste management, lighting of public streets, places and buildings and construction and maintenance of roads, bridges and footpaths.

The Act provides AMC power to levy taxes, user charges, fees and fines including penalties and rebates. Further, the Act stipulates only limited obligatory services like sewerage, storm water drainage, solid waste management, lighting of public streets, places and buildings and construction and maintenance of roads, bridges and footpaths. The Act also provides the corporation with a favourable borrowing framework with provisions for market and bank borrowings. It also stipulates MMC to establish a sinking fund for timely repayment of debt and earmarking of specific tax and enabling provisions. MMC can also sell land to raise funds.

- **Strong support from Government of Uttar Pradesh (GoUP)**

AMC's revenue profile depicts moderate own revenues. Since the state does not levy octroi, the only source of MMC's own tax revenue is General Tax which constituted a mere 10 percent of revenue receipts in 2015-16. Own non tax revenue constitutes fees and charges and rent from municipal properties including proceeds from sale of land. Own tax and non-tax revenues constitute to around 19 percent of the total revenue in 2015-16. Thus the major source of income being state government grants primarily grant through State Finance Corporation constitutes to around 81 percent.

State government grants primarily include grant through State Finance Corporation. Since the GoUP abolished octroi from the state in 2006, it started supporting the ULBs by paying grant through State Finance Corporation for meeting their revenue expenditure including salaries and pensions to its employees. The ULBs are receiving such compensation since 2006 with an annual hike of 10 percent and an abolition of it is highly unlikely as the government will have to provide the ULBs with an alternate source of income.

Additionally, GoUP is also providing support to the corporation by undertaking a number of projects under sewerage management, solid waste management under Swachh Bharat Mission.

Further, as discussed with the management, as per recent updates, looking at the financial position of the ULBs in Uttar Pradesh, under the smart city mission GoUP has decided to fund the contribution of respective smart city ULBs in the state along with their contribution.

Particulars (Rs. Crore)	2015-16	2014-15	2013-14	2012-13
State Grants (Octroi Compensation)	179.49	321.51	220.82	141.53
Revenue Grants/ Revenue Receipts	81%	87%	85%	81%
Total Revenue Receipts	221.00	367.45	257.76	174.39

- **Moderate financial risk profile**

AMC has a moderate financial risk profile marked by moderate operating surplus and absence of any debt. Own tax and non-tax revenues of the corporation constitute to around 19 percent of the total revenue in 2015-16. The corporation has been able to maintain moderate operating surplus of over 10 percent except 2015-16 in the past despite high establishment expenses. With non-revenue generating capex planned over the medium term that would lead to an increase in repairs and maintenance cost, coupled with an increase in the establishment expenses, the revenue surplus are expected to deteriorate, however would continue to remain moderate over the medium term.

Furthermore, AMC has a good financial flexibility on account of absence of any debt on its books as on date. This provides corporation with flexibility to borrow if required towards funding its projects. The corporation over the next 4-5 years is undertaking a number of projects under various schemes such as AMRUT, Smart City etc. Most of these schemes are 70 to 80 percent GoI funded, however some schemes would require the corporation to provide part funding. Under Smart city project, the corporation is expected to raise minimal debt over the medium term and thus the financial risk profile of the corporation is expected to remain moderate.

The above rating strengths are partially offset by the following weaknesses:

Weaknesses:

- **Weak economic management, reflected in constrained existing revenues with poor collection efficiency and zero cost recovery of maintenance**

Although the Uttar Pradesh Municipal Corporation Act empowers the corporations/ councils with a number revenue augmenting sources, AMC has a limited existing own revenue sources.

Revenue receipts from own sources include tax and non-tax revenues which together account for around 19 percent of the total revenue receipts. Tax revenue of AMC includes only general tax which accounts for only 10 percent of revenue receipts and hence the collection efficiency of AMC is moderate. Per capita general tax stands at around Rs. 210 which is quite low as compared to other states other states such as Rajasthan, Maharashtra, West Bengal etc. There is no systematic procedure for collection of property tax. Collection is only focused on collecting from regular tax payers and hence the tax collection is low. Also collections are also

affected due to sever staff shortage in the corporation and unwillingness of the citizens to pay tax.

Furthermore, the corporation does not levy any fees or charges for the services it provide like solid waste collection and hence the recovery of cost of maintenance is zero. Thus limited own revenues makes the corporation heavily dependent on state government for grants for meeting its revenue expenditure like salaries and pensions.

- **Inadequate service arrangements**

Obligatory services to be provided by the AMC are limited to only sewerage, storm water drainage, solid waste management and slum improvement. The level of coverage and the quality of service provide by the AMC is inadequate as reflected in moderate sewerage network, below average storm water drainage network and limited solid waste collection with no segregation and treatment facility. Considering that the city has been selected under AMRUT, SMART CITY scheme, the service levels are expected to improve significantly over the next 4-5 years.

Sewerage (Above Average)

As per Ministry of Urban Development, the efficiency in collection and treatment of sewerage has been reported less than 60% in most of the Corporation cities in UP. AMC reported highest efficiency in collection and treatment of sewerage which is 52% however under AMRUT, the proposed plan to improve the sewerage efficiency to 60%. The capex plan for sewerage facility is approx. Rs 100 Cr. Total laid sewerage network in city zones is around 470 kms and property connections to laid network is in progress. The sewer generated from houses is either collected in septic tanks or gets dumped in open drains leading to water pollution or health hazards. Total sewer generated in the city per day is 129 MLD. The city has sewerage treatment plant and the capacity is 129 MLD.

Storm water drainage system (Below Average)

The storm water drainage system of Agra is average and covers around 60 percent of the town. The existing sewerage channel is badly affected by flooding during rainy seasons. The city has 7 flood prone area. The carrying capacity is not sufficient to carry run off during rainy season. Further blocking of natural drains and the dumping of garbage into existing drains causes water logging in several areas of the city during the heavy rains.

In order to improve the drainage network AMC in considering remodelling of Escape channel under AMRUT. Remodelling of escape Channel flow will solve to a large extent the problem of flooding conditions in the city. The corporation also plans to develop parking areas by covering drains at possible locations and putting them under PPP mode.

Solid waste management practices (Below average)

The solid waste management services of AMC is below average with no door to door collection, no segregation and no waste treatment. Presently, a systematic and scientific system of waste disposal is practically non-existent and is yet to be developed. Although, the corporation has from April '17 onwards started door to door collection of solid waste, a few areas exist where citizens merely dump the wastes in nearby open drains/bins or open space

available adding to the piling up of waste leading to clogging of drains. AMC has adopted open transport of wastes from secondary points to the dumping site. The solid waste collected is neither segregated nor treated and is dumped in the dumping yard situated outside the city.

Currently, the corporation does not charge for waste collection, however, it plans to charge per household over the medium term. Also, going forward, in order to improve its service level, AMC plans to increase the door-to-door collection and is also planning to undertake a project for setting up a waste to energy plant with capacity of 750 TPD.

- **Exposure to project risk given its limited execution capabilities- projects being undertaken are large compared to its past track record**

The size of the planned projects as compared to that of those undertaken by the AMC in the past is quite large. The total capital expenditure of the corporation for the past five years has been at around Rs.350 crore. However, the corporation is expected to undertake total capex of over Rs.2000 crore in the next 4-5 years. Furthermore, though the corporation has experience in undertaking public works and developing road projects, it has limited experience and capabilities in undertaking large project of similar nature. Thus limited experience in handling large projects and inadequate staff vis-a-vis the size of the projects, there is a huge risk of the projects to face implementation risk/ project delays due to complexities inherent to such infrastructure projects. Project delays may result in cost escalations, which may put additional financial burden on AMC's resources.

About AMC

The civic administration in the Agra city is under the purview of Agra Municipal Corporation (AMC) which is governed by the provisions of the UP Municipalities Act of 1959. Established in the year 1966, AMC is among the largest municipal bodies in the state of Uttar Pradesh providing civic services to the estimated population of 1,686,976 (as per 2010 est.) Within its jurisdiction are some of the most attractive tourist spots of the world including Tajmahal and Sikandra. AMC came into existence under and Nagar Mahapalika Adhiniyam, 1959 of UP. Since then, the Municipal Body has always been alive in its constitution and functioning to the growing needs of citizens. The Urban local bodies in the state of Uttar Pradesh are governed by two important legislation viz. UP Municipal Corporations Adhiniyam, 1959 and UP Municipalities Act. 1916. These two acts specify the governance framework, spatial jurisdiction and the functional domain of the urban local bodies. The corporation has a democratically elected leadership from the constituencies within the geographic jurisdiction of the corporation boundaries.

2. Rating Analysis

2.1 Existing ULB structure

i. Legal and Administrative Framework

Overview

Agra Municipal Corporation (AMC) is governed by the Uttar Pradesh Municipal Corporation Act, 1959 (last amended in 2009). The Act stipulates core services such as sewerage, storm water drainage, solid waste management, lighting of public streets, places and buildings and construction and maintenance of roads, bridges and footpaths.

Legal Framework of Agra Municipal Corporation

Sr. No	Parameter	Yes/No
	Composition:	
1	Does corporation comprise of an elected body	Yes
	Revenue raising power:	
2	Power to levy Cess, Property tax, Theatre tax, Vehicle tax and any other justified user charges	Yes
3	Legislative flexibility in levying penalties and rebates	Yes
	Borrowing power:	
4	Governing act conducive to financing by providing for sinking fund creation	Yes
5	Earmarking of specific tax, enabling provisions	Yes
6	Escrow of receivables	Yes
	Services:	
7	Obligations does not include, discretionary services like hospitals, medical college, secondary education most importantly public transport	Yes
	Administration:	
8	Healthy relations between elected representatives and civil servant	Yes
9	Healthy relations between State and Muni / Elected Reps and Civil Servants	Yes
10	Adequate staff at top level.	No

Good revenue raising powers

- **Good Taxing powers**

The Act allows AMC to levy property tax on land and building, fire tax, tax on advertisements, tax on profession, tax on congregation, tax on tourists and pilgrims etc. The corporation can also raise revenues through user charges such as toll on roads, provisions for sewerage and drainage, collection charges for solid waste management and any other civic service. The corporation also has powers to levy development charges as determined by the by-laws from time to time.

- **Power to levy fees and fines including penalties and rebates**

UP Municipal Act provides corporation with power to levy penalties and fines in case of delays in payment or defaults. The Act allows AMC to offer rebates to encourage timely payment of taxes. In addition, AMC also enjoys the statutory power to attach movable and immovable property of the defaulter. The municipal corporation can also file cases under any law regulating the recovery of dues as public demand.

Adequate Provisions for borrowing

The Act has good provisions for facilitating the borrowing by the ULBs. It permits the corporation to borrow funds by taking loans, open credit account with banks, and raise short term loans. However, the Act also states the GoUP to frame a comprehensive debt limitation policy regarding general principles and limits for loans raised by the ULBs. The section also limits the use of borrowed funds only for the stated purpose of borrowing. Furthermore, the Act stipulates AMC to establish a sinking fund for timely repayment of debt and earmarking of specific tax and enabling provisions. AMC can also sell land to raise funds.

Limited operational autonomy

AMC possesses limited operational autonomy in terms of appointment of officers in the corporation. The corporation cannot appoint any municipal official without prior approval of the state government. The Act requires the ULB to have a Municipal Executive Officer, Municipal Finance Officer, Municipal Engineer, Municipal Health Officer and Municipal Secretary while the recruitment of these officers is to be done by the state government.

Multiple functional agencies working within the city

The institutional set-up in Agra is such that there are multiple agencies within the city providing services, which are generally the responsibility of the municipal bodies in other states. However each agency has been designated a specific scope of work and area. Any lack of coordination between corporation and the multiple functional agencies could adversely impact service delivery.

Service provider	Service	Service provided
PHED	Water supply	Construction and maintenance of water supply infrastructure
RTO and UPSRTC &	Transport	Operation of city buses

AMC		
PWD	Roads, Bridges and footpaths	Part construction and maintenance of roads, bridges etc.
Agra Development Authority (ADA)	Planning and implementation of development plans and infrastructure in the notified areas of ADA including urban and rural areas.	
UP JAL Nigam	Infrastructure development related to Sewerage & Water Supply	

Favourable Legislative Framework

The Uttar Pradesh Municipal Corporation Act is conducive in nature as it provides the corporation with good revenue raising powers, limited obligatory services and favourable borrowing framework. The Act provides AMC power to levy taxes, user charges, fees and fines including penalties and rebates. Further, the Act stipulates only limited obligatory services like sewerage, storm water drainage, solid waste management, lighting of public streets, places and buildings and construction and maintenance of roads, bridges and footpaths. The Act also provides the corporation with a favourable borrowing framework with provisions for market and bank borrowings. It also stipulates AMC to establish a sinking fund for timely repayment of debt and earmarking of specific tax and enabling provisions.

Administrative and Service arrangements:

The civic administration in the Agra city is under the purview of Agra Municipal Corporation (AMC) which is governed by the provisions of the Uttar Pradesh Municipal Corporation Act of 1959. Agra district has attained the status as Agra Nagar Nigam in year 1966. The obligatory functions of the corporation include solid waste management, storm water road side drainage network, sewerage system, street lighting, construction and maintenance of city roads and slum improvement. The provision of water supply and maintenance of the water transmission and distribution system is the responsibility of the state government and is entrusted with the Public Health and Engineering Department (PHED).

ii. Economic Base of Service Area

Agra City Profile

Agra is a city on the banks of the river Yamuna in the northern state of Uttar Pradesh, India. It is 378 kilometres from Lucknow, 206 kilometres from New Delhi and 125 kilometres from Gwalior. Agra is one of the most populous cities in Uttar Pradesh, and the 24th most populous in India.

Agra is a major tourist destination because of its many splendid Mughal-era buildings, most notably the Taj Mahal, Agra Fort and Fatehpur Sikri, all three of which are UNESCO World Heritage Sites. Agra is included on the Golden Triangle tourist circuit, along with Delhi and Jaipur; and the Uttar Pradesh Heritage Arc, tourist circuit of UP state, along Lucknow the capital of the state and Varanasi.



Demographic Profile:

Demographic Profile		
Corporation/ Council	-	Agra Municipal Corporation
City	-	Agra
State	-	UP
No. of Wards	Nos.	90

Area	Sq. km	141
Population	Nos.	1576638 (Census 2011)
Population Density	Nos./ Sq. km	12416
Population Growth (yearly)	%	2.20
Sex Ratio	No of females / 1000 males	868 (928 state average)
Literacy Rate	%	64% as per 2011 Census (66.11 state average)
No. of Household	Nos.	1,40,000
Slum Population	Nos.	131,669
Slum as % of total population	%	7.52
Nearest Airport	Name & distance	Agra Airport (22 km)
Nearest Ports	Name & distance	Dahej, Gujrat (725 km)
Nearest Important Cities	Name & distance	Jaipur (230 Km), Delhi (206 Km)
Educational Infrastructure	Agra is an educational hub and is known for various prestigious institutes such as The Institute of Mental Health and Hospital,,Central Institute of Hindi,Sarojini Naidu Medical College,Agra College,St. John's College, Agra,Raja Balwant Singh College,Dayalbagh Educational Institute and Sachdeva Institute of Technology etc..	
Railway Connectivity	Broad Gauge Line- well connected to major Indian cities Agra is on the central train line between Delhi and Mumbai and between Delhi and Chennai	
Connectivity by road- Highways, Expressways	It is a major junction of highways with 2 national highways (NH-19, NH 509 and 2 expressway (Yamuna Expressway & Agra Lucknow Expressway) originating from Agra.	
Upcoming Major Infra Projects in District	Selected in a number of central government schemes like Smart City, AMRUT	

Population Growth

	Saharanpur	Agra	Aligarh	Kanpur	Jhansi	Lucknow
Municipal Area (Sq. Km)	3689	4041	3650	3155	5024	2528
Population density (No./Sq. Km.)	940	1084	1007	1449	398	1816
Population decadal Growth (%)	19.66	22.05	22.78	9.92	14.54	25.82
Population yearly Growth (%)	1.9	2.20	2.2	0.9	1.4	2.5

Economic Activities

Agra city is an important administrative, religious & educational hub of the state. The Agra Municipal Corporation (AMC) is among the largest municipal bodies in the state of Uttar Pradesh providing civic services to the estimated population of 1,686,976 (as per 2010 est.) Within its jurisdiction are some of the most attractive tourist spots of the world including TAJMAHAL and SIKANDARA. AMC came into existence under and Nagar Mahapalika Adhiniyam, 1959 of UP.

The economy of Agra Due to the presence of the Taj Mahal and other historic monuments, Agra has a booming tourism industry as well as royal crafts like Pietra Dura, marble inlay and carpets.

Tourist Inflow in Agra			
Year	Domestic Tourist	Foreign Tourist	Total
2013	78,78,515	12,35,708	91,14,221
2014	84,18,415	11,83,313	96,01,728
2015	94,66,670	13,45,765	108,12,435

Source: Smart city concept plan

City wise comparison of Tourist Inflow in with other cities						
No. of Torurist		2006	2007	2008	2009	2010
Ajmer	Domestic	1,701,000	1,985,600	2,067,475	1,977,605	2,585,110
	Foreign	16,494	17,513	25,796	22,517	25,731
	Total	1,717,494	2,003,113	2,093,271	2,000,122	2,610,841
Pushkar	Domestic	1,762,700	1,749,240	1,820,090	1,745,040	1,965,382
	Foreign	73,537	76,953	86,030	75,155	79,682
	Total	1,836,237	1,826,193	1,906,120	1,820,195	2,045,064
Udaipur	Domestic	582,504	578,643	572,415	547,102	582,297
	Foreign	188,026	160,627	185,261	165,210	173,016
	Total	770,530	739,270	757,676	712,312	755,313
Jaipur	Domestic	1,278,603	1,287,072	1,138,859	995,996	1,133,543
	Foreign	441,910	464,841	456,165	283,423	368,512
	Total	1,720,513	1,751,913	1,595,024	1,279,419	1,502,055
Kota	Domestic	98,319	104,059	100,227	107,358	97,971
	Foreign	3,994	4,440	4,550	2,732	3,450
	Total	102,313	108,499	104,777	110,090	101,421
Jaisalmer	Domestic	204,776	211,928	228,859	248,712	274,885
	Foreign	117,740	128,675	135,329	98,652	113,520
	Total	322,516	340,603	364,188	347,364	388,405
Jodhpur	Domestic	429,497	453,775	493,717	427,532	445,271
	Foreign	93,847	123,056	123,942	73,080	108,073
	Total	523,344	576,831	617,659	500,612	553,344

Source: RTDC

Apart from Tourist business, The economy of Agra is also driven by trade & commerce and industrial activities. The major contributing industries include agriculture, leather and footwear business and iron foundries etc. The 40% of the population of Agra depends largely on agriculture, and others on the leather and footwear business and iron foundries. Agra has many industries. Uttar Pradesh's first plant biotech company Harihar Biotech is located near the Taj. There are about 7,000 small scale industrial units. Agra city is also known for its leather goods, the oldest and famous leather firm Taj Leather World is in Sadar bazar . The carpets, handicrafts, zari and zardozi (embroidery work), marble and stone carving and inlay work. Agra is known for its sweets (Petha and Gajak) and snacks (Dalmoth), garment manufacturers and exporters and an automobile industry.

Agra is also known as an educational hub of various prestigious institutes such as The Institute of Mental Health and Hospital,, Central Institute of Hindi, Sarojini Naidu Medical College, Agra College, St. John's College, Agra, Raja Balwant Singh College, Dayalbagh Educational Institute and Sachdeva Institute of Technology etc.

Good Locational Advantage

Agra is well connected from all sides through rail and road. Idgah Bus Stand, Taj Depot, Ford Depot and Inter State Bus Terminal (ISBT) are the major bus stands in Agra, connecting Agra to most of the bigger cities in North India. It is a major junction of highways with 2 national highways (NH-19, NH 509 and 2 expressway (Yamuna Expressway & Agra Lucknow Expressway) originating from Agra. Agra has domestic Airport also which connect it to various cities.

i. Socio Economic profile of the state

UP, is the most populous state in the Republic of India as well as the most populous country subdivision in the world. The state, located in the northern region of the Indian subcontinent, has over 200 million inhabitants. It was created on 1 April 1937 as the United Provinces during British rule, and was renamed Uttar Pradesh in 1950. Lucknow is the capital city of Uttar Pradesh. The main ethnic group is the Hindi people, forming the demographic plurality. On 9 November 2000, a new state, Uttarakhand, was carved out from the Himalayan hill region of Uttar Pradesh. The state is bordered by Rajasthan to the west, Haryana, Himachal Pradesh and Delhi to the northwest, Uttarakhand and Nepal to the north, Bihar to the east, Madhya Pradesh to the south, and touches the states of Jharkhand and Chhattisgarh to the southeast. It covers 243,290 square kilometres (93,933 sq mi), equal to 7.33% of the total area of India, and is the fourth largest Indian state by area. Hindi is the official and most widely spoken language in its 75 districts along with English. Uttar Pradesh is the third largest Indian state by economy, with a GDP of ₹9,763 billion (US\$150 billion) and the fourth-largest contributor to India's net domestic product. Agriculture and service industries are the largest parts of the state's economy. The service sector comprises travel and tourism, hotel industry, real estate, insurance and financial consultancies. Uttar Pradesh was home to powerful empires of ancient and medieval India. The two major rivers of the state, the Ganges and Yamuna, join at Allahabad and then flow as the Ganges further east.

Demographic Profile of the State		
State	-	Uttar Pradesh
Capital	-	Lucknow
No. of Districts	Nos.	75
Area	Sq. km	240,928
Population	Nos.	19,95,81,477 (2011 Census)
Population as a % of Nation	%	19.0
Population Density	Nos. / Sq. km	829
Population Growth (Decadal)	%	20.09 (17.7 National Average)
Population Growth (yearly)	%	2.09
Sex Ratio	No of females / 1000 males	908 (943 National Average)
Literacy Rate	%	69.72 (as per 2011 Census) 73.0 (National Average)
Urban to total population	%	22.3 (31.2 National Average)
Nearest Airport	Name & distance	Major airports are Agra Allahabad Lucknow Kanpur Varanasi
Nearest Ports	Name & distance	Dahej, Kandla, Mundra, Hazira (Gujrat)
Educational Infrastructure	Good educational infrastructure with premier institutes such as IIT, IIM, NLU etc. in the state	
Railway Connectivity	Broad Gauge Lines with well connected to major cities across the nation	
Connectivity by road- Highways, Expressways	NH-1 (passing through Alligarh, Kanpur, Allahabad etc) TAJ Express Way	
SEZs in the state	2 Govt and 4 Private	

UP borders six major states in the northern, western and central parts of India which makes a natural corridor between the Eastern, Northern and the Central states, making it an important trade and commerce centre. Further, the state offers a variety of unexploited agricultural and mineral resources, which is indicative of the scope for value addition and exports.

❖ Economic Management

Economic management of any ULB is assessed through level of services provided by the body, by comparing the obligatory and discretionary services as defined in the Act, the maintenance of such services and evaluating the operating efficiency of the ULB in terms of its revenue collection efficiency. Further, the economic management of the ULB is also enhanced or constrained by its capacity (management) and reform orientation. Capacity building leads to improvement in the abilities of personnel and organizations to perform their tasks in a more effective and efficient manner and reform orientation helps in improving the overall

service levels of the body leading to creation of new revenue sources or improvement in operating efficiency.

i. Service Arrangement

• Service level arrangements of the corporation

Obligatory services to be provided by the AMC are limited to only sewerage, storm water drainage, solid waste management and slum improvement. The level of coverage and the quality of service provide by the AMC is inadequate as reflected in moderate sewerage network, below average storm water drainage network and limited solid waste collection with no segregation and treatment facility. Considering that the city has been selected under AMRUT, SMART CITY scheme, the service levels are expected to improve significantly over the next 4-5 years.

Sewerage (Above Average)

As per Ministry of Urban Development, the efficiency in collection and treatment of sewerage has been reported less than 60% in most of the Corporation cities in UP. AMC reported highest efficiency in collection and treatment of sewerage which is 52% however under AMRUT, the proposed plan to improve the sewerage efficiency to 60%. The capex plan for sewerage facility is approx. Rs 100 Cr. Total laid sewerage network in city zones is around 470 kms and property connections to laid network is in progress. The sewer generated from houses is either collected in septic tanks or gets dumped in open drains leading to water pollution or health hazards. Total sewer generated in the city per day is 129 MLD. The city has sewerage treatment plant and the capacity is 129 MLD.

Parameters	Units	Details
Sewerage generation	MLD	129
Total Length of network	Km	470
Area covered by the network	%	40
Sewerage processing capacity	MLD	129
Adequacy of sewage treatment capacity	%	52
Sewerage treated	%	71.66
Cost recovery of maintenance	%	12.8

Storm water drainage system (Below Average)

The storm water drainage system of Agra is average and covers around 60 percent of the town. The existing sewerage channel is badly affected by flooding during rainy seasons. The city has 7 flood prone area. The carrying capacity is not sufficient to carry run off during rainy season. Further blocking of natural drains and the dumping of garbage into existing drains causes water logging in several areas of the city during the heavy rains.

In order to improve the drainage network AMC in considering remodelling of Escape channel under AMRUT. Remodelling of escape Channel flow will solve to a large extent the problem

of flooding conditions in the city. The corporation also plans to develop parking areas by covering drains at possible locations and putting them under PPP mode.

Solid waste management practices (Below average)

The solid waste management services of AMC is below average with no door to door collection, no segregation and no waste treatment. Presently, a systematic and scientific system of waste disposal is practically non-existent and is yet to be developed. Although, the corporation has from April '17 onwards has started door to door collection of solid waste, a few areas exist where citizens merely dump the wastes in nearby open drains/bins or open space available adding to the piling up of waste leading to clogging of drains. AMC has adopted open transport of wastes from secondary points to the dumping site. The solid waste collected is neither segregated nor treated and is dumped in the dumping yard situated outside the city.

Parameters	Units	2015-16
Solid waste generated	TPD	775
Average collection	TPD	760
Bio-medical waste generated	TPD	NIL
Door-to-door collection	%	Nil
Segregation at source	%	Not done
Area coverage of sweeping	%	100%
Population coverage of sweeping	%	100%
Disposal of waste		
• Segregation of waste	%	Not done
• Type of disposal		Open dumping
• Total medical waste disposed separately	%	Done by hospitals themselves
Waste treatment Plant Capacity	TPD	Under process for 750 TPD
Capacity utilization	TPD	NA
Any tie up with waste mgmt. companies	-	NA
Cost recovery of maintenance	%	0

Currently, the corporation does not charge for waste collection, however, it plans to charge per household over the medium term. Also, going forward, in order to improve its service level, AMC plans to increase the door-to-door collection and is also planning to undertake a project for setting up a waste to energy plant with capacity of 750 TPD.

ii. Operating Efficiency

• Operating efficiency of the corporation: Low

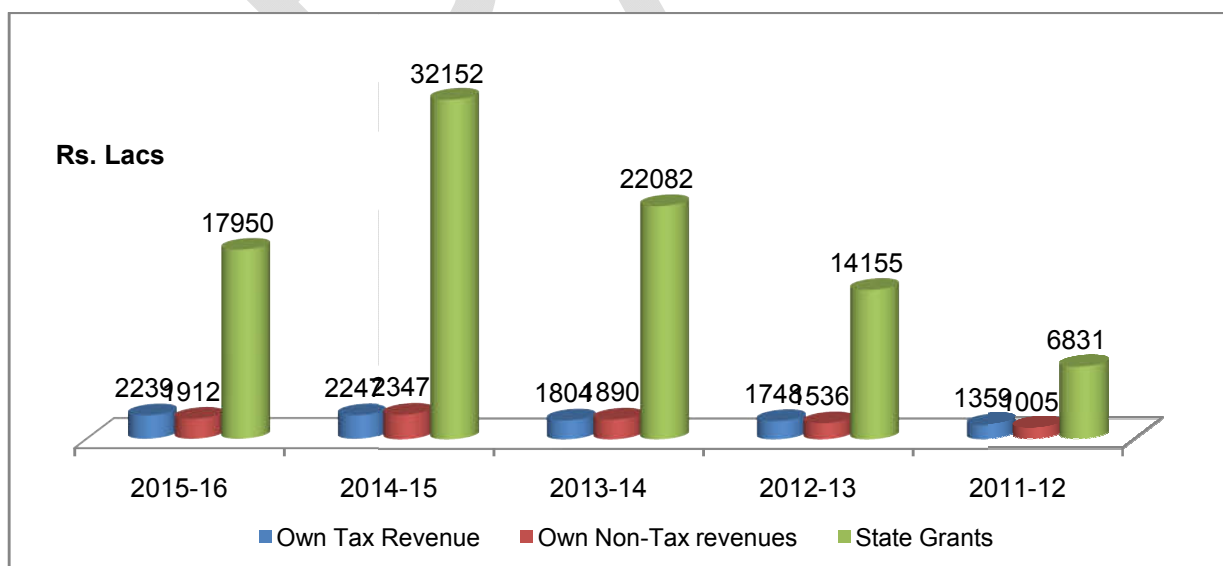
Operating efficiency of the corporation is measured by the revenue generation ability, tax collection efficiency and ability to recover the maintenance cost from the various services provided by the ULB. The operating efficiency of AMC is low on account of limited ability to generate additional revenue sources, constrained existing revenue sources with low collection efficiency and zero cost recovery of maintenance.

Limited existing revenue raising sources and zero cost recovery of maintenance adding pressure on service orientation

Although the Uttar Pradesh Municipal Act empowers the corporation with a number revenue augmenting sources, MMC has a limited sources of own revenues. Revenue income from own sources include tax and non-tax revenues which together account for 22 percent of total revenue income. Under tax revenues, the corporation only levies General Tax [property tax (12.5%), sewerage (4%) & water (13%)] whereas non-tax revenues include user fees and charges like rental income, interest income, road cutting, building permission etc. and income from municipal properties.

Apart from the above charges, the corporation does not charge any fees or charges for the services it provides like solid waste collection and hence the cost of recovery of maintenance is zero. Moreover, the corporation is heavily dependent on State Finances for meeting its revenue expenditure including salaries and pensions to its employees. Although the corporation is dependent on State finances, as discussed with the management, the ULBs are receiving such compensation since 2006 (Octroi abolished in the state) and an abolition of it is highly unlikely as the government will have to provide the ULBs with an alternate source of income.

Going forward, although the corporation is planning to add new sources of revenue like solid waste collection charges and parking fees, the grant through State Finance corporation would continue to remain the major income source.



Low property tax collection efficiency

AMC has a poor collection efficiency of property tax. As discussed with the management, there is no systematic procedure for collection of property tax. Collection is only focused on collecting from regular tax payers and hence the tax collection is low. The total collection for the year 2015-16 was Rs.23.25 crore which constitutes a mere 10.5 percent of the total revenue receipts.

Particulars	Demand Raised (Rs. Cr.)			Collections (Rs. Cr.)	Collection Efficiency %
	Arrears	Current with interest	Total	Total (current + arrear)	Overall
FY 2016	Bifurcation not available		23.25	22.71	97.65
FY 2015	Bifurcation not available		21.14	19.07	90.19
FY 2014	3.25	16.67	19.92	18.62	91.27
FY 2013	3.89	14.51	18.40	17.16	93.23
FY 2012	2.47	10.85	13.32	12.13	91.07

AMC follows unit area method for calculating the property tax. Residential and commercial properties are charged differently. The last property survey was done in 2005, while the latest survey is in progress. Total number of registered properties with AMC is 94,277 of which only few properties fall under the purview of General tax.

The UP Municipal Act provides the corporation with powers to levy penalty for not depositing the property tax on time and also providing rebate for those who pay their tax on an early basis. AMC is severely under-staffed, and hence, cannot exercise tax collection measures efficiently. Collections are also affected on account of lack of awareness and unwillingness of the citizens to pay tax.

iii. Reform Orientation

Slow pace of reforms

AMC has not been able to undertake major reforms due to inadequate technical capabilities and insufficient staff at lower level. The various reforms undertaken by the corporation so far as follows:

a. Accounting Reform

Particulars	Yes/No
Full migration to double entry system	Yes (Audit pending)
Production of financial statements (income expenditure and balance sheet)	Yes
Completion of registration and valuations of assets & liabilities	-

b. Property Tax

Particulars	Yes/No	Remarks
GIS database of record of proprieties liable to property tax	No	Under process
Non-discretionary method for determination of property tax	Yes	Unit Area method
Migration to self-assessment system	No	No
Tax payer education programme	No	No
Establish dispute resolution mechanism	Yes	No

c. E-Governance Initiative

E governance initiatives	Yes/No
Use of ERP packages	No
Biometrics based access control System	No
Software for simplifying building construction approvals procedures	No
Does the city have a GIS base map in place	No
Online process of birth and death certificates	Yes
Computerized billing system adopted	Yes
Online property tax and water tax	Yes
Does municipality have a website of its own	Yes
Frequency data update on the website	Monthly
Automated tender process	Yes

d. Reforms to be implemented under AMRUT

Under AMRUT, cities are required to undertake certain reforms in e-governance, accounting, audit, improvement in user charges etc. As per the AMRUT guidelines, one purpose of the Mission is to improve governance through a set of Reforms. Past experience shows that projects get delayed if release of project funds is linked to non-completion of Reforms. Therefore, the AMRUT mission shifts from penalisation to incentivisation and thus a 10 percent of the total project cost has been kept apart and given to the States/UTs every year as incentive for achievement of Reforms. This incentive fund is an additionally that will be provided by the MoUD and no matching funds will be required to be given by the State/ULB. The incentive cannot be used as the State share in project in the AMRUT, but can be used by the ULBs for their project funding.

2.2 Municipal Finances

Basis of analysis

Analysis of AMC's finances is based on the income and expenditure statement (Municipal Budgets) for the period between 2011-12 and 2016-17. The corporation has implemented double entry system for accounting; however financial statements (balance sheet and p&l) were not for fiscal 2016 and hence were not available.

Financial Performance:

		2016	2015	2014	2013
		Budgeted	Actuals		
Revenue Receipts		22101	36745	25776	17439
Revenue Expenditure (excl. interest)	Rs Lakh	25326	30986	20254	15122
Operating Surplus	Rs Lakh	-3225	5759	5523	2317
Debt Charges	Rs Lakh	0	0	0	0
Revenue Surplus/(Deficit)	Rs Lakh	-3225	5759	5523	2317
Capital Receipts	Rs Lakh	4556	8770	5222	15436
Capital Expenditure	Rs Lakh	2792	8090	2860	10659
Capital Surplus/(Deficit)	Rs Lakh	1763	680	2362	4777
Overall Surplus/(Deficit)	Rs Lakh	-1462	6440	7885	7094
Debt	Rs Lakh	0	0	0	0
Cash Opening	Rs Lakh	20348	16619	7832	2893
Cash Closing	Rs Lakh	18886	20348	16619	7832
Ratios					
Growth in property tax collections	%	0%	25%	3%	29%
Growth in octroi compensation	%	-28%	7%	44%	1963%
Property tax to revenue receipts	%	10%	6%	7%	10%
Own revenues/ Revenue receipts	%	19%	13%	14%	19%
Establishment Exp./ Revenue exp.	%	39%	34%	43%	58%
Operating Surplus/ Revenue receipts	%	-15%	16%	21%	13%
Revenue Surplus/ Revenue receipts	%	-15%	16%	21%	13%
Overall Surplus/ Revenue receipts	%	-7%	18%	31%	41%
Operating Surplus/ Net debt	Times	-	-	-	-
Interest cover	Times	-	-	-	-
DSCR	Times	-	-	-	-

- **Moderate revenues base with high dependence on state government grants for its revenue**

AMC's revenue profile depicts moderate own revenues. Since the state does not levy octroi, the only source of AMC's own tax revenue is Urban Development Tax which constituted a mere 11 percent of revenue receipts in 2015-16. Own non tax revenue constitutes fees and charges and rent from municipal properties including proceeds from sale of land. Own tax

and non-tax revenues constitute to around 18 percent of the total revenue in 2015-16. Thus the major source of income being state government grants primarily octroi compensation constitutes to around 81 percent

Going forward, with no major increase in own revenue expected over the medium term and expected increase in revenue expenditure, the corporation will continue to depend on the state government for its revenue and capex requirements.

Revenue profile of AMC

Particulars (Rs. Crore)	2015-16	2014-15	2013-14	2012-13	3 year CAGR (%)
Tax revenues & Compensation	22.38	22.46	18.04	17.48	7.70
Fees and User charges & Other income	19.13	23.48	18.9	15.38	6.76
State Grants	179.49	321.51	220.82	141.53	7.39
Total Revenue Receipts	221.00	367.45	257.76	174.39	7.36

General Tax-

- Poor collection efficiency on account of lack of adequate staff for collection and lack of collection efforts
- Unit area method followed for calculation of tax where residential and commercial properties are charged differently as per the District level committee (DLC) rates
- DLC rates are different for different areas and different for residential and commercial properties

Octroi Compensation-

- State government grants include octroi compensation and other grants.
- GoUP abolished octroi from the state in 20068 and started compensating the ULBs for the loss in terms of octroi compensation annually
- Compensation calculated at an annual hike of 10 percent of the previous year's amount
- An abolition of this compensation is highly unlikely as the government will have to provide the ULBs with an alternate source of income.

Revenue Augmentation plans of AMC

- Enhancement of own revenues of the AMC .
- Increasing general tax by implementing GIS to get maximum properties under coverage and improving tax collection efficiency.
- Enhancement of Octroi compensation at 10 percent p.a.
- Transfers under central finance commission and state finance commission with 10 percent enhancement every year
- Improving user charge revenues from water supply and sewerage through increase in water charges by 15 percent every three years and introducing sewerage charges as a percent of water charges (around 33 percent)

- Increase in advertisement fee by advertising at non-motorised transport (cycle) terminals
- Introduction of solid waste collection charges
- Reduce electricity cost through implementation of roof top solar intervention and also by captive use of electricity generated from sewerage treatment power generation plant post operationalisation.

● **Operating surplus likely to increase however expected to continue to remain moderate**

AMC has been able to maintain moderate operating surplus of over 10 percent in the past except the year 2015-16 despite high establishment expenses. In fiscal 2016 due to reduction in revenue grant the operating surplus become negative, however AMC has sufficient reserves to manage the operation. In the medium term the revenue grant is expected to remain at previous level and hence operating surplus is likely to be 10 to 11%.

Particulars (Rs. Crore)	2015-16	2014-15	2013-14	2012-13
Operating Surplus	32.25	57.59	55.23	23.17
Operating Surplus/ Revenue Receipts	-15%	16%	21%	13%

Revenue expenditure of AMC

Particulars (Rs. Crore)	2015-16	2014-15	2013-14	2012-13
Establishment expenses	99.10	104.32	87.70	87.82
Total Revenue Expenditure	253.26	309.86	202.54	151.22

Establishment expenses-

- Primarily includes salaries and pensions paid to the ULB employees
- Expenses met out of octroi compensation provided by the state government
- **Impact of introduction of GST:** The Corporation is not expected to be impacted by introduction of GST bill as the ULB only levy Urban Development tax which does not fall under the purview of GST.

● **Financial flexibility on account of absence of any debt and minimal debt funded capex over the medium term**

AMC has a good financial flexibility on account of absence of any debt on its books as on date. This provides the corporation with flexibility to borrow if required towards funding its projects. Going forward, the corporation plans to raise minimal debt towards funding its future capex plans over the medium term.

The corporation over the next 4-5 years is undertaking a number of projects under various schemes such as AMRUT and SMART CITY etc. Most of these schemes are 70 to 80 percent GoI funded, however some schemes would require the corporation to provide part funding. Under AMRUT the corporation is executing projects worth Rs.90 crore (excluding water) over the next 4-5 years. AMC plans to fund its share of contribution through internal accruals. However, under Smart city project, the corporation is expected to raise minimal debt over the medium term. Thus with expectation of limited debt funded capex over the medium term, the financial risk profile of the corporation is expected to remain moderate.

2.3 Projects

➤ AMRUT

Agra has been selected by the Ministry of Urban Development as one of the 500 cities under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT). Under AMRUT project each ULB has to work on 5 key identified areas for improvement. These include:

- i. Water Supply
- ii. Sewerage
- iii. Storm water drainage
- iv. Urban transport
- v. Open space and greenery

A total capital expenditure of Rs.223 Cr has been estimated and approved towards development work under AMRUT project for the Agra.

Details of the Projects undertaken under AMRUT are as follows:

Water supply-The provision of water supply and maintenance of the water transmission and distribution system in the city is the responsibility of the state government and is entrusted with the Public Health and Engineering Department (PHED). The state government under the AMRUT scheme is undertaking a project of Rs.122 & Rs 10.28 crore for setting up water supply pipeline.

Project	Cost Structure	Funding Mix	Estimated Timeline	Current Status
Water Supply Pipe Line Laying	Rs. 122.00 Cr	32:36:32 (Cent: State: ULB)	3 years (by Sep 2019)	Project Sanctioned and DPR under process
Water Supply House Connection in Agra City	Rs 10.28 Cr	3.46 Cr from GoI 3.81 Cr From State 3.11 Cr from ULB	March - 2018	Tender approval is pending

Sewerage- Agra city has a moderate sewerage network with a total coverage of around 60 percent. Currently, under AMC is undertaking a number of sewerage projects that includes setting up of sewerage network in few areas of city, connecting households to sewerage network, setting up of STP. The corporation plans to fill a part of the remaining gap through projects under sewerage and septage management under AMRUT for a cost of Rs.100 crores.

Project	Cost Structure	Funding Mix	Estimated Timeline	Current Status
Sewerage & Septage Management	Rs.100.00 Cr	32:36:32 (Cent: State: ULB)	3 years (by Sep 2019)	Project Sanctioned and DPR under process
Sewer House Connection with Existing	26.12 Cr	8.712 Cr form GoI 9.58 Cr from State 7.83 Cr from ULB	March - 2018	Work Started and is in Progress

HCC, Agra Part I				
Sewer House connection Part-2 in Agra	14.22 Cr	4.74 Cr from GoI 5.21 Cr from State 4.27 Cr from ULB	March - 2018	Work Started and is in Progress

Open space and Green park- As per the AMRUT norms AMC is also undertaking development of green space and parks with special provision for child-friendly components.

Project	Cost Structure	Funding Mix	Estimated Timeline	Current Status
Development of open space and green park for children	Rs.1.31 Cr	50:30:20 (Cent.: State: ULB)	2 years (by 2019)	Work Started and is in Progress

Solid waste management

Project	Cost Structure	Funding Mix	Estimated Timeline	Current Status
Establishment of Waste to Energy	PPP	NA	18 months after Power Purchase Agreement	Power Purchase Agreement is in process.
Integrated Solid Waste Management with Door to Door Collection	56 Cr.	SBM, State, ULB	6 Months	VGF Project under preparation by RCUES, Lucknow
Capping of Dumping Site	24 Cr	35% from SBM, 30% NCEF, 35% State		Project approval is in process.

➤ Smart City Mission

Smart Cities Mission is an urban renewal and retrofitting program by the GoI with a mission to develop 98 cities all over the country making them citizen friendly and sustainable. The MoUD is responsible for implementing the mission in collaboration with the state governments and ULBs of the respective cities. A total of Rs.48,000 crore have been approved by the Indian Cabinet for development of 98 smart cities with a matching contribution from the state governments and ULBs of respective cities.

Highlights of Smart city Challenge-

- The objective of the Smart Cities Mission is to develop cities with core infrastructure and decent quality of life for its citizens, a clean and sustainable environment and application of Smart Solutions.
- Each aspiring city had to compete for selection as a Smart City in what is called a City Challenge.
- The two stage selection process involved intra state competition in which the State/UT shortlisted the potential Smart Cities on the basis of conditions precedent and scoring criteria and in accordance with the total number allocated to it and then each of the potential 100 Smart Cities prepared their proposals for participation in the City Challenge.
- GoI has so far announced the list of 60 cities to be taken up for development as smart cities in Round 1 and 2 of the Smart City Programme out of the 98 competing cities.

Agra Smart City-

- Agra has been selected by the MoUD as one of the 98 cities to participate in the Smart City Mission. A list of 60 cities has been declared so far out of the 98 cities.
- Agra city got selected in the round 2 of the smart city challenge in September 2016 and ranks 55th in the list of total selected cities so far.
- The total project would be taken under two heads- Area based development and Pan City development with a project cost of Rs.2133 crore over a period of five years.

Details of the Projects proposed to be undertaken under Smart City are as follows:

- a) **Area based Development (Rs.16981 crore including technical & administrative support)**
- b) **Pan City Development (Rs.434 crore including technical & administrative support)**

Formulation of Special Purpose Vehicle (SPV):

As per norms, the formation of SPV is mandatory to participate in the project. AMC is to set up a special purpose vehicle for the Smart City project. The SPV will be named as Agra Smart City Limited (ASCL). The SPV shall be a limited company incorporated under the Companies Act, 2013, in which GoUP and AMC will be promoters with equal shareholding. At all times the share of government shall be more than 51%. The balance equity capital may be contributed/ subscribed by private sector or financial institutions.

The board of directors of the SPV would include one Chairman (Principal Secretary, LSG, GoUP), a Vice Chairperson (Mayor), a CEO (Municipal Commissioner, AMC until a full time CEO is appointed), one nominee from the Central Government, five Directors of the GoR/ AMC and two independent Directors. The SPV will be supported by an Advisory Board comprising of MP, MLA, Corporators and eminent experts and a Facilitation Committee comprising heads of various line departments. The Chairman of SPV will be given autonomy and full financial powers as given to Municipal Board in accordance with clause 4 of Annexure V of the Smart City Mission guidelines.

SPV shall function like a holding or investment company. All funding assistance, grants, contributions from GoI, GoR, Municipal Corporation under various missions and schemes that could relate to smart city initiative would be channelised through this SPV on a convergence mode.

iv. Project funding details

Capex plans to be funded out of grants from state and central government and contribution from ULB

➤ **AMRUT**

AMC under the AMRUT scheme is undertaking a capital expenditure programme of Rs.223 crore. Of the Rs.223 crore projects, Rs.122 crore worth of project towards water supply would be undertaken by the PHED department, while the AMC would undertake the remaining. Capex is expected to be funded by AMC's contribution and grants from the central and state government. As per the AMRUT scheme, in cities with population above than 10 lakhs the central government would fund 33.33 percent of the approved project cost, while the state government will have to fund 36.67 percent and ULBs share would be the remaining 30 percent. The corporation is expected to fund their contribution from internal accruals over the next five years.

➤ **SMART CITY**

Under the Smart City project, projects with an investment of Rs. 2133 crore are proposed in Agra smart city plan over the period of 5 years beginning 2017. For financing, the grant from GoI and matching contribution from the GoUP shall be used like a seed capital. All funding assistance, grants, contributions from the GoI and GoUP under various missions and schemes that could relate to the Smart City initiative would be channelized through the SPV. This can be conceived like a large resource pool. The objective is to leverage the grant amount largely through convergence with Government schemes as far as possible, keeping borrowing requirements to modest levels so that the latter can be serviced by the SPV comfortably.

The funding pattern for the project is as follows:

Project	Total Cost	Smart City grant	Central Govt	State Parastatal Agencies	PPP
SMART CITY Projects	2133	944	138	881	171
% of total cost		44	6	41	8

In Smart City include AMRUT projects related to water & Sewerage of Rs 258 Cr the share of ULB is GOI is Rs 112 Cr and share of ULB 7 State is Rs 145 Cr

v. Project Risk

Large size of the projects vis-à-vis execution track record

The size of the planned projects as compared to that of those undertaken by the AMC in the past is quite large. The total capital expenditure of the corporation for the past five years has been at around Rs.350 crore. However, the corporation is expected to undertake total capex of over Rs.2000 crore in the next 4-5 years. Furthermore, though the corporation has experience in undertaking public works and developing road projects, it has limited experience and capabilities in undertaking large project of similar nature. Thus limited experience in handling large projects and inadequate staff vis-a-vis the size of the projects, there is a huge risk of the projects to face implementation risk/ project delays due to complexities inherent to such infrastructure projects. Project delays may result in cost escalations, which may put additional financial burden on AMC's resources.