

Municipal Bonds

Learning from the Ahmedabad Experience

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AHMEDABAD MUNICIPAL CORPORATION

Rs. 1000 Million Tax-Free Bonds (Property Tax) - 2002

AA (so)/Stable (Reaffirmed)

Rs. 580 Million Tax-Free Bonds (Property & Octroi) - 2004

Rs. 1000 Million Tax-Free Bonds (Property & Octroi) - 200

Rs. 334 Million Taxable Bonds (Octroi) - 1998

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CRISIL's 'AA (so)/Stable' rating Corporation (AMC) are based on credit enhancement mechanism property tax collections from mechanism operates through a reaffirmation is subject to the including legal documentation and fully capitalising the sinking fund Tax-Free Bonds (Property Tax B the corporation's buoyant revenue base, and good economic manag corporation's high indebtedness

The Success Story:

"AMC has a strong and diversified economic base, encompassing well developed industrial, commercial and residential segments. AMC has also displayed **good economic management with respect to property tax reforms and good service arrangements.**"

AMC has maintained healthy surpluses, driven by buoyant revenue receipts (RR). During 2004-05 (refers to financial year, April 1 to March 31), the corporation's operating surplus stood at Rs. 2980 million compared with an operating surplus of Rs. 1890 million in 2003-04. The growth in surpluses has been driven by strong growth in octroi and property tax collections over the last two years, which is expected to sustain over the medium term. AMC has a strong and diversified economic base, encompassing well developed industrial, commercial, and residential segments. AMC has also displayed good economic management with respect to property tax reforms and good service arrangements.

Municipal Bonds:

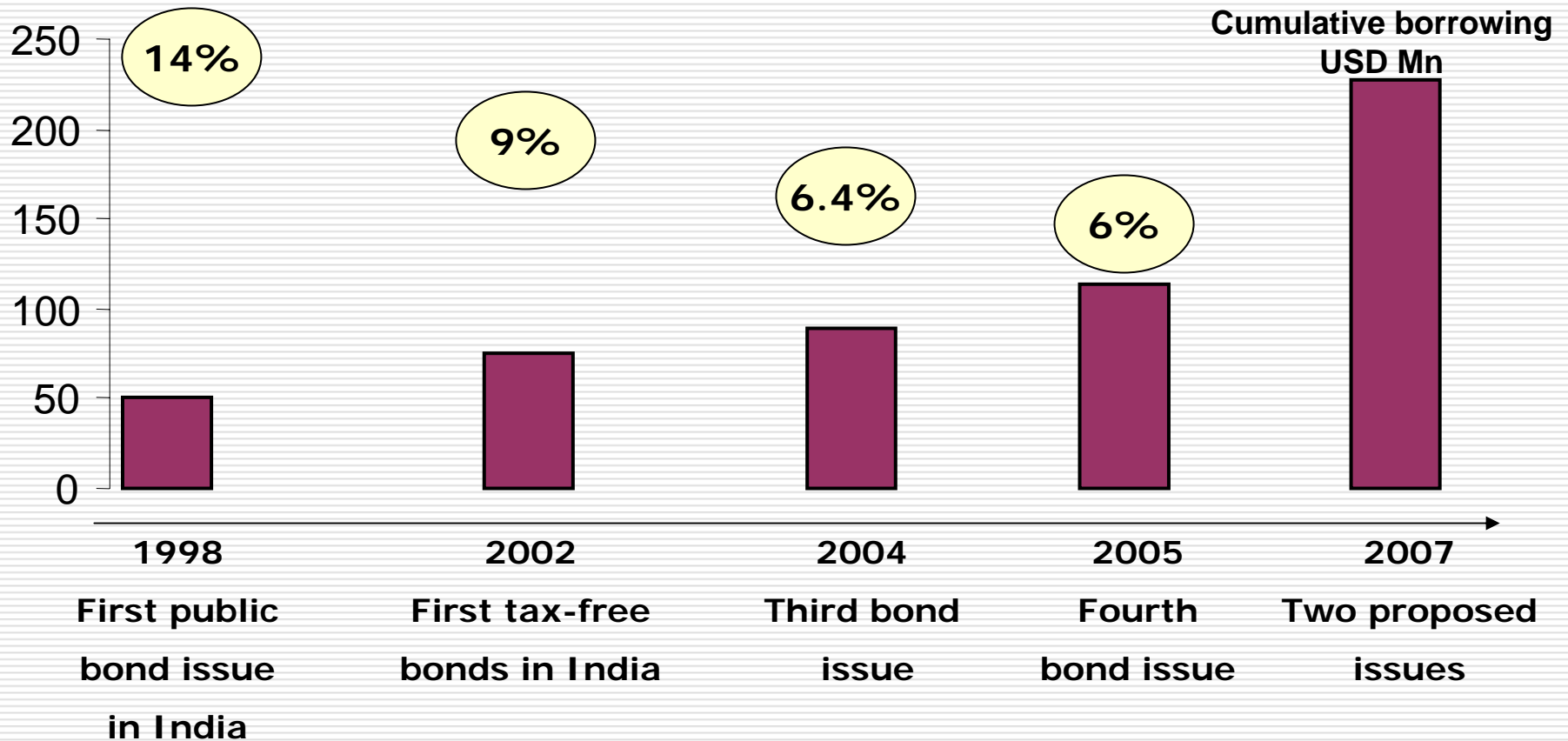
Learning from Ahmedabad

- AA(so) Rating from CRISIL since 1997
- AA+ Rating from CARE – since 2005
- Awarded “ Best Financial Management System” by CRISIL
- First Urban Local Body to adopt double entry accrual based balance sheet
- Benefits for more than 42,000 employees, including
 - Payment of salaries on the 1st day of Month
 - Retirement benefit on the day of retirement



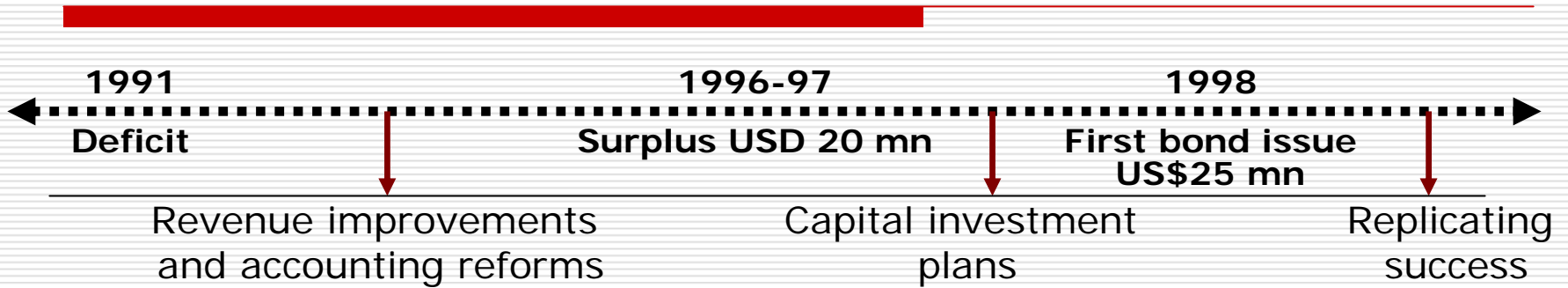
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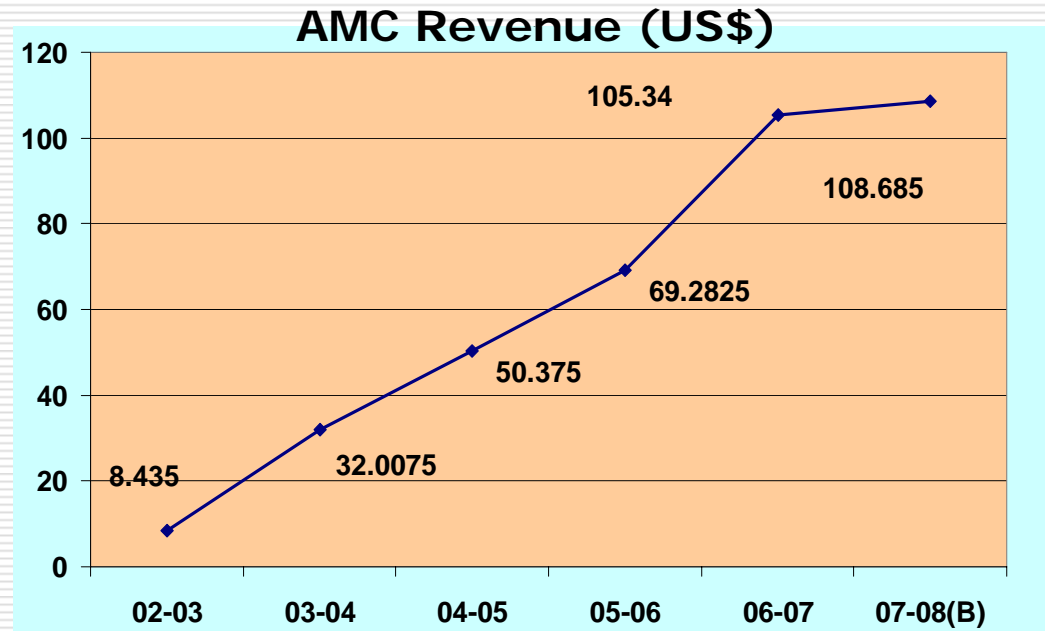
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2002 onwards:

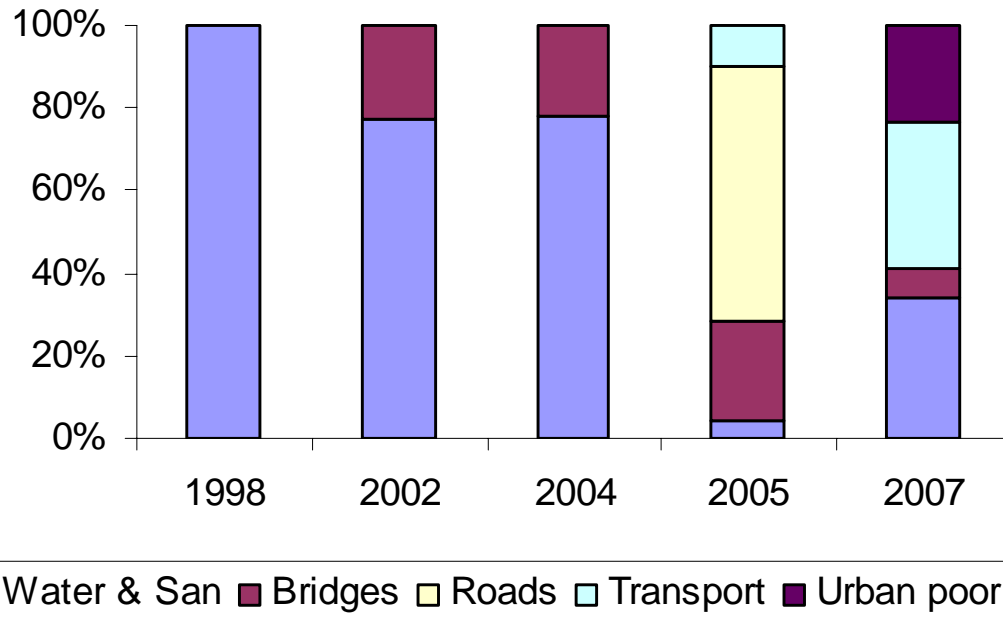
- Multiple Bond issues with fiscal incentives
- Continuous improvement in revenue surplus



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Investment in Infrastructure

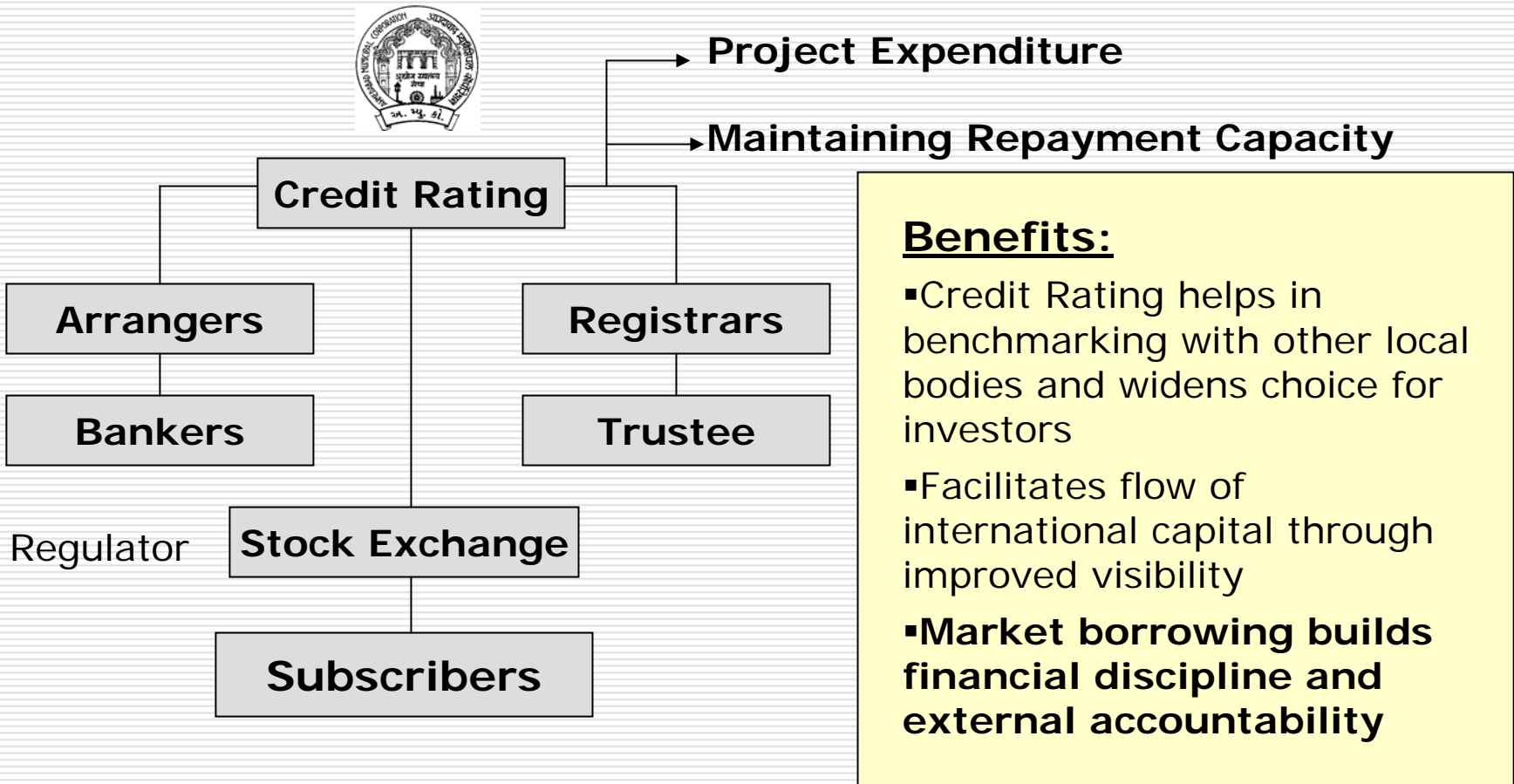


Benefits:

- Bond Markets offer lower cost and higher tenure, compared to vendor finance and commercial banks
- Leveraging market resources has allowed Ahmedabad to focus on second generation infrastructure
- Credit Rating provides an independent and unbiased evaluation of credit quality for investors

Municipal Bonds:

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... so why municipal bonds?

The AMC experience with introducing Municipal Bonds led to:

- Development of professionalism in municipal governance
- Sound accounting systems and consistent financial discipline
- Strong focus on revenue generation
- Enhancing capacity to execute projects
- Maintaining credibility in the market place

The process helped Ahmedabad design a US\$2 bn multi-year capital investment plan
