

Pune Towards Smart City



Challenge Stage 1

Fiscal Capacity

Technical & Administrative Capacity

Volume - III



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1. Fiscal Capacity of Pune Municipal Corporation

PMC has been continuously surplus in revenue fiscal. It may be seen from the below statements that PMC is having revenue surplus of Rs. 961.25 Cr in FY 2009-10 which gradually increased to Rs. 1342.03 Cr in the FY 2014-15. It shows strong revenue pipeline of the Corporation. It also depicts the strong capability of Financial leveraging i.e. External Fund Raising Capacity.

With 7% CAGR, the revenue surplus is expected to reach at Rs. 2218.82 Cr in the FY 2019-20.

As such the Pune Municipal Corporation is fulfilling the basis parameter of Fiscal Capacity to allocate Rs. 50 Cr funds each year for next five years under the Smart City Mission. Detailed financials are given in subsequent pages.

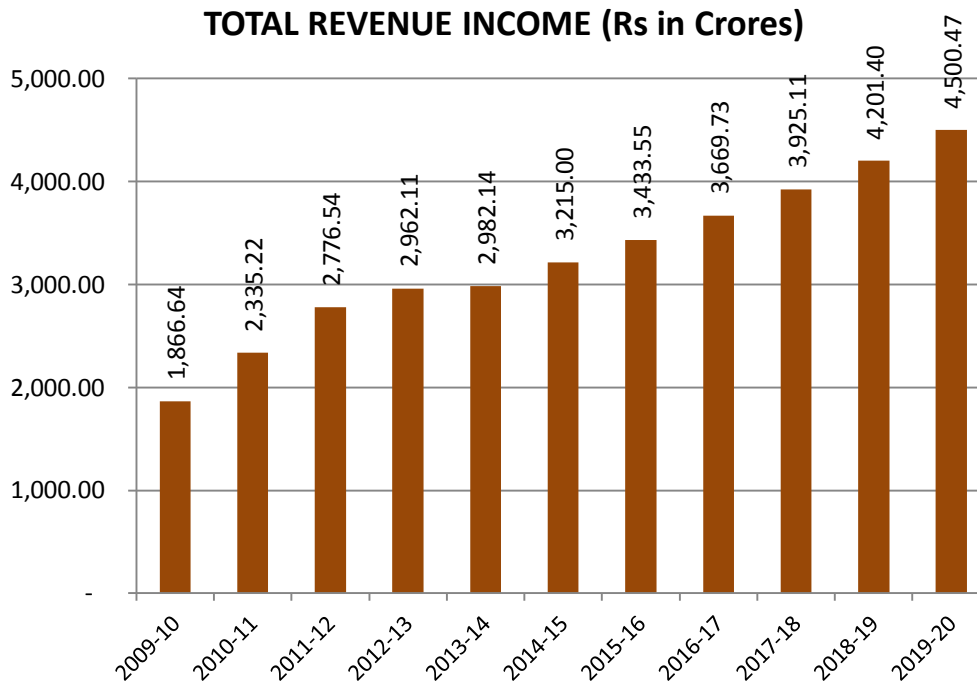
COMPARISION OF REVENUE SURPLUS & EXPENDITURE FOR PAST YEARS & FUTURE PROJECTED YEARS

(All Figures in Rs. Crores)

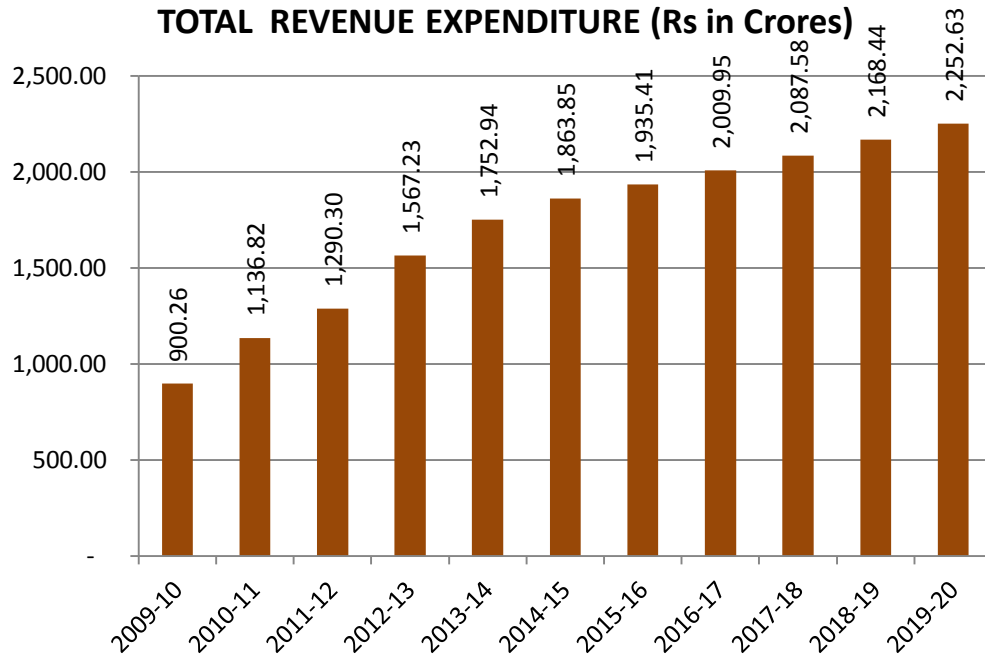
	Actual	Actual	Actual	Actual	Actual	Un-Finalised	Projected	Projected	Projected	Projected	Projected
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
INCOME											
Property Tax	245.19	293.73	378.64	444.12	536.62	593.91	635.48	679.97	727.57	778.49	832.99
Water Tax	105.85	135.63	127.10	153.13	139.81	181.82	189.09	196.66	204.52	212.70	221.21
Octroi and Toll and LBT	632.13	940.94	1,093.26	1,148.75	1,033.77	1,303.20	1,433.52	1,576.87	1,734.56	1,908.02	2,098.82
City Development Charges and building permissions	288.04	583.69	608.98	620.25	610.45	605.56	623.73	642.44	661.71	681.56	702.01
Govt Grants	448.93	131.93	331.25	238.32	265.07	-	-	-	-	-	-
Other Income	146.50	249.30	237.31	357.54	396.42	530.51	551.73	573.80	596.75	620.62	645.45
TOTAL REVENUE INCOME	1,866.64	2,335.22	2,776.54	2,962.11	2,982.14	3,215.00	3,433.55	3,669.73	3,925.11	4,201.40	4,500.47
EXPENDITURE											
Establishment Expenses	386.05	598.15	658.49	747.79	822.24	929.92	967.12	1,005.80	1,046.03	1,087.87	1,131.39
Primary Education	123.83	168.95	199.41	217.53	245.49	181.10	188.34	195.88	203.71	211.86	220.34
Electricity and repairs	105.77	105.33	120.57	136.11	149.53	148.81	154.76	160.95	167.39	174.09	181.05
water expenses	35.01	30.51	30.01	25.18	27.18	28.73	29.88	31.07	32.32	33.61	34.95
Others	220.38	181.28	227.88	377.39	440.38	517.36	538.05	559.58	581.96	605.24	629.45
Fuel Charges	12.86	13.92	15.74	23.00	29.57	20.48	21.30	22.15	23.04	23.96	24.92
Loans and Interest	16.36	38.68	38.20	40.23	38.55	37.45	38.95	40.51	42.13	43.81	45.56
TOTAL REVENUE EXPENDITURE	900.26	1,136.82	1,290.30	1,567.23	1,752.94	1,863.85	1,938.40	2,015.94	2,096.58	2,180.44	2,267.66

	Actual	Actual	Actual	Actual	Actual	Un-Finalised	Projected	Projected	Projected	Projected	Projected
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Surplus Before Appropriation & Depreciation	966.38	1,198.40	1,486.24	1,394.88	1,229.20	1,351.15	1,495.15	1,653.79	1,828.53	2,020.96	2,232.82
Depreciation	5.13	5.10	5.27	6.38	6.47	9.12	10.00	11.00	12.00	13.00	14.00
Surplus After Depreciation	961.25	1,193.30	1,480.97	1,388.50	1,222.73	1,342.03	1,485.15	1,642.79	1,816.53	2,007.96	2,218.82
Capital Expenditure											
Capital Expenditure A (Road, Building Etc)	1,108.71	561.01	1,074.57	1,053.52	1,127.86	967.53	1,015.91	1,066.70	1,120.04	1,176.04	1,234.84
Capital Expenditure B (Water and Drainage)	176.75	138.46	156.28	199.58	279.68	285.24	290.94	296.76	302.70	308.75	314.93
Total Capital Expenditure	1,285.46	699.47	1,230.85	1,253.10	1,407.54	1,252.77	1,306.85	1,363.47	1,422.74	1,484.79	1,549.77
Total Expenditure (Revenue+ Capital)	2,190.85	1,841.39	2,526.42	2,826.71	3,166.95	3,125.74	3,255.26	3,390.41	3,531.31	3,678.23	3,831.43

2. Graphical Representation of Different Financial Parameters

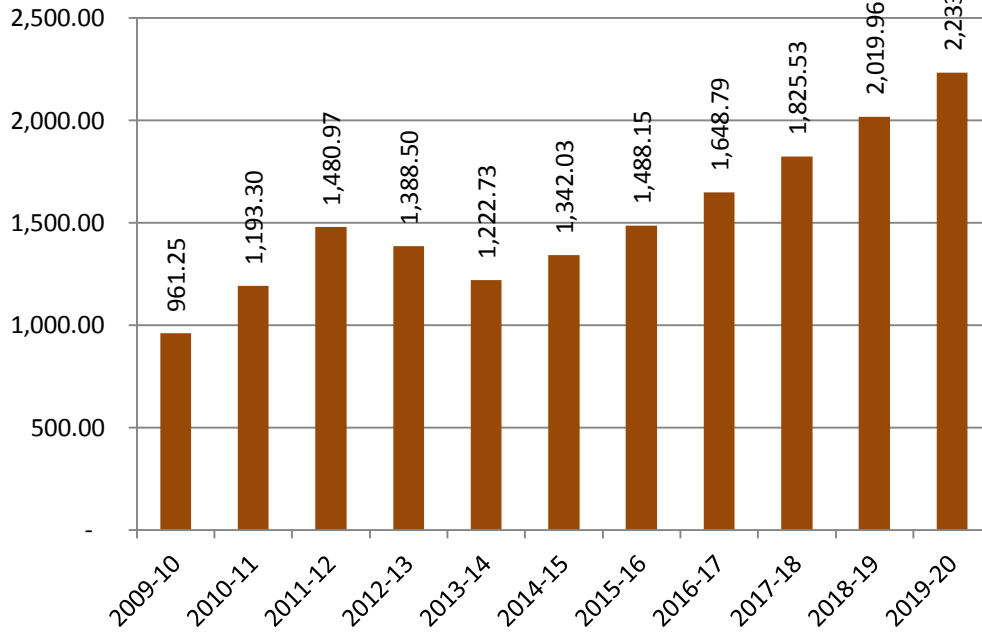


- Total Revenue of Rs. 1866.64 Cr in the FY 2009-10 is increased to Rs. 3215.00 Cr which gives CAGR of 9.2% until year 2013-14. It is likely to reach Rs. 4500.17 Cr in FY 2019-20 with 7% CAGR.
- Octroi has always been a major contributor to the exchequer since past many years. This is also evident from the fact that revenue from Octroi is showing rising trend in the past. Octroi was replaced by Local Body Tax during the financial year 2013-14. The incremental revenue continues to accrue even from LBT. LBT income grew by 20% due to efforts and initiative taken by the PMC authorities. Total contribution of the Octroi/LBT constitutes more than 1/3rd of the total revenue.
- Property tax constitutes a major source of revenue for Pune Municipal Corporation. The total revenue in FY 2009-10 was Rs 1866.64 Cr which has increased almost by 58% in FY 2014-15. This is due to increased in number of registrations of properties in the Pune region. This trend is expected to continue on account of increase in demand for house property and commercial property in Pune. We are projecting that, by FY 2019-20 our total revenue will reach to Rs 4500 Cr.



- Total Revenue expenditure of Rs. 900.26 Cr in the FY 2009-10 is increased to Rs. 1752.94 Cr until year 2013-14. It shows that there is comparative increase in the revenues than proportionate increase in expenditure. It shows that the expenditures are properly controlled.
- It is likely to reach Rs 2267.66 Cr in FY 2019-20 with 4% CAGR.
 - Revenue expenditure is expected to grow by 4% in the future years.

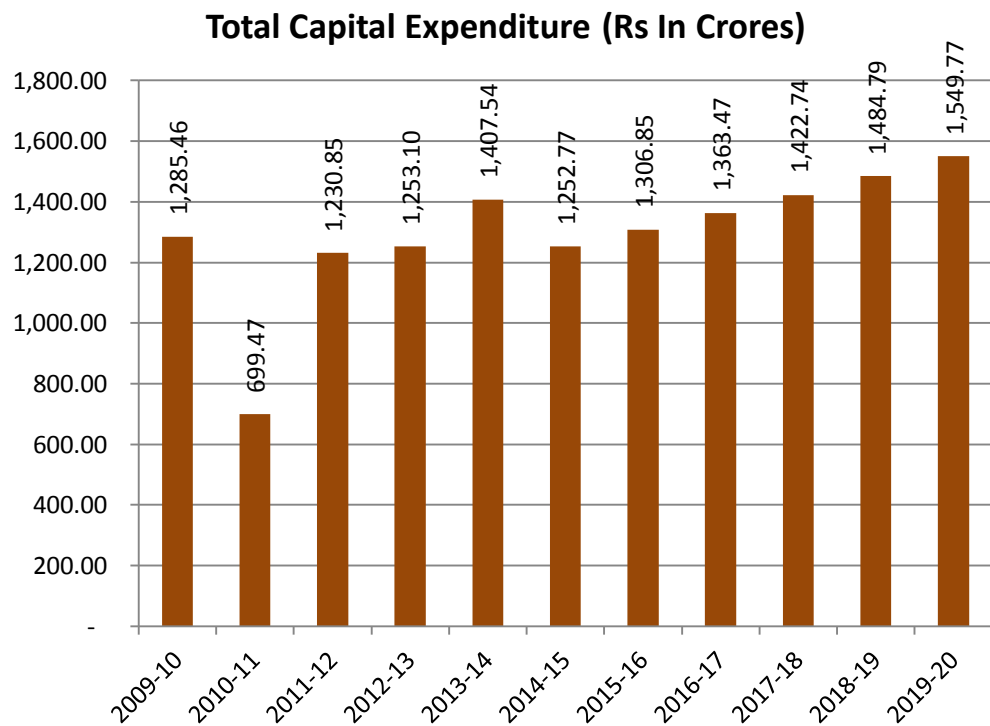
Surplus After Depreciation (Rs in Crores)



- The average surplus after depreciation is Rs 74 Cr. As per the condition of the Smart City Mission, Municipal Corporation should have the capacity to allocate Rs 50 Cr funds each financial year towards Smart City Mission. PMC is earning sufficient surplus to accommodate this additional expenditure on Smart City Mission.
- The revenue surplus has increased from Rs. 961 Cr in FY 2009-10 to Rs. 1223 Cr in FY 13-14 giving CAGR of 5.2%. It is likely to maintain the steady flow of revenues going forward.
- The total surplus is likely to reach upto Rs. 2218.92 Cr in the FY 2019-20.
- There has been a continuous track record of the Pune Municipal Corporation to deliver revenue surplus.

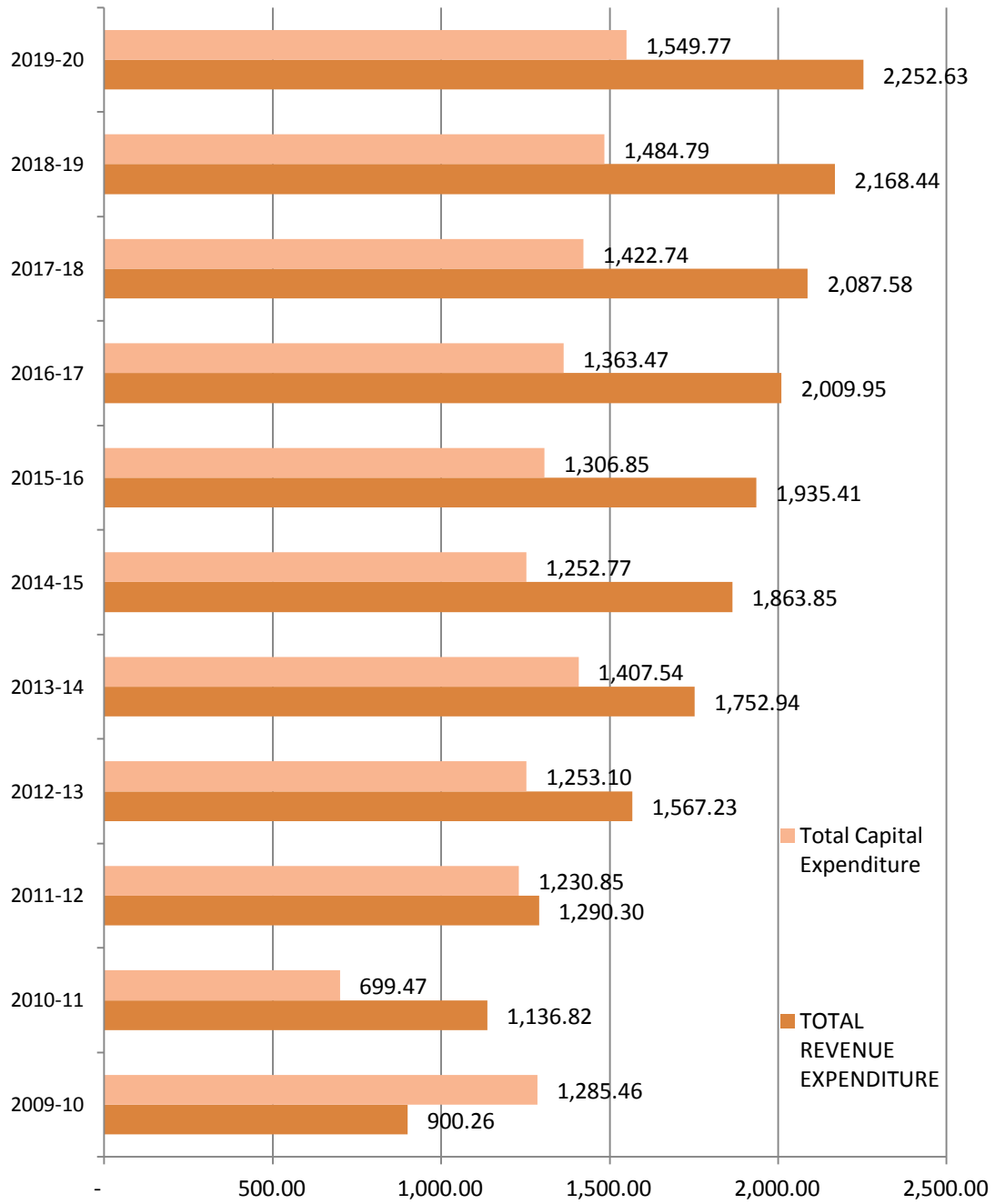
3. PMC's Technical & Administrative Capacity for Capital Works Execution

PMC has spent Rs. 1285 Cr in FY 2009-10 on capital expenditure such as Road, Buildings, W&S, SWM set-ups etc which raised upto Rs. 1408 Cr in FY 2013-14. It is likely to reach Rs. 1549.77 Cr in FY 2019-20. Following table denotes the capital expenditure chart of PMC (Actual as well as Projected).

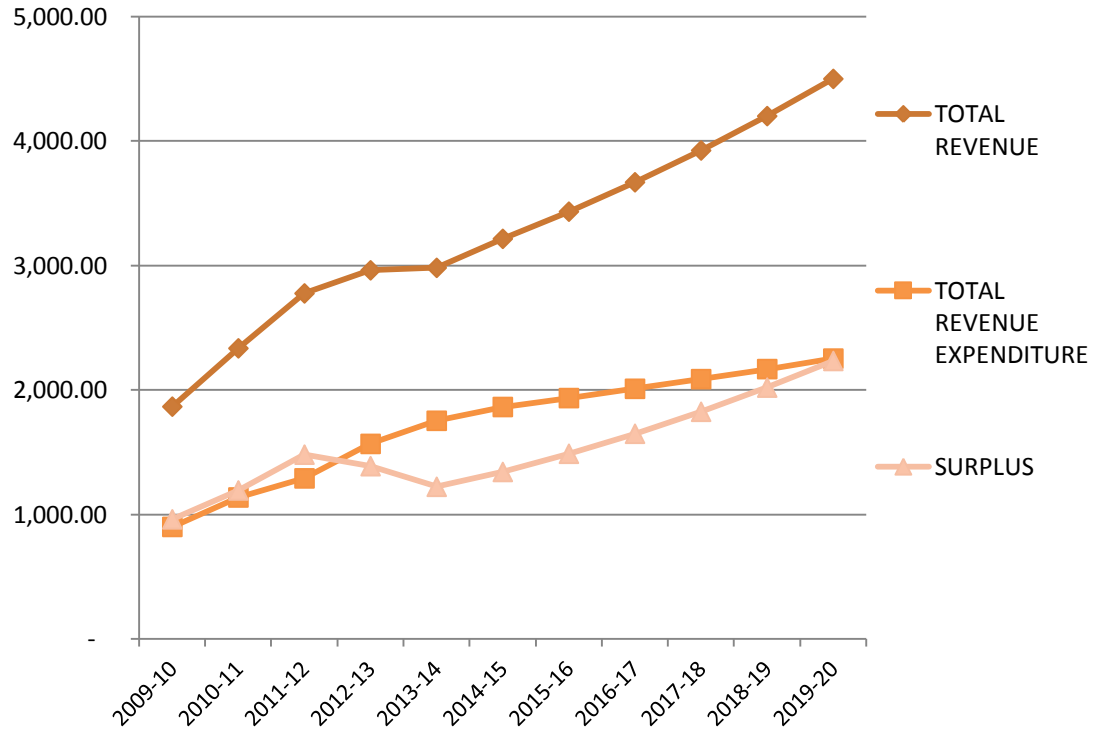


- Total capital expenditure includes:-
 - Capital expenditure on roads, buildings, auditorium, schools, sports grounds, cultural halls, solid waste management, bridges and flyover, storm water drainage, JnNURM projects, gardens, slum area projects, other schemes for backward community and gender and youth and handicapped projects etc.
 - Capital expenditure on water and drainage systems.
- Capital expenditure has been showing a marginal increase.
- Capital Expenditure on water and drainage systems is increasing by 12% to 13% per annum on an average. This increase is on account of increase in residential areas across Pune.

4. Comparison between Total Revenue and Capital Expenditure (Rs Crores)



5. Charts showing relationship between total Revenue, total Revenue Expenditure and movement of Surplus (Rs Crore)



6. Technical capacity of PMC

Currently total 19656 employees are working in Pune Municipal Corporation. Out of which 481 employees holds technical degrees, diploma in fields of civil, mechanical & electrical engineering. PMC's technical staff is capable for completing large & massive infrastructure projects successfully. The year wise Strength of technical staff of PMC in last 5 years is as per given below.

Year wise information of PMC's officers working in Engineering cadre						
Sr. No.	Designation	total				
		2010-11	2011-12	2012-13	2013-14	2014-15
	Category - 1					
1	City Engineer	1	1	1	1	1
2	Deputy Engineer	3	3	3	3	3
3	Superintendent Engineer (civil)	6	6	6	6	6
4	Superintendent Engineer (electrical)	0	1	1	1	1
5	Superintendent Engineer (transport planning)	1	0	0	0	0
	Category - 1					
6	Executive Engineer (civil / electrical / mechanical)	28	27	27	27	27
	Category - 2					
7	Deputy Engineer (civil / electrical / mechanical)	97	100	94	100	100
8	Deputy Engineer and Planning Officer	1	1	1	1	1
9	Sub Engineer (civil / Electrical / Mechanical)	68	80	79	67	80
	Category - 3					
10	Junior Engineer (civil / Electrical / Mechanic)	244	256	257	254	264
	Total	449	475	469	460	481

Considering above Technical staff strength it is clear that PMC can execute projects worth Rs. 200 Cr very comfortably per annum.

7. Municipal Corporation Budget for the year 2015-16

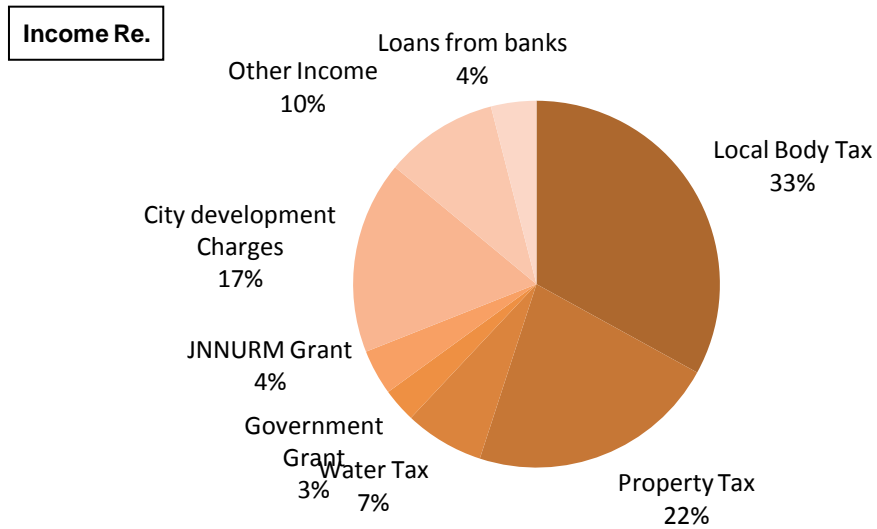
Estimated total income of A and C budget for the FY 2015-16 is Rs 4479.50 Cr and total estimated revenue expenditure as well as capital expenditure is Rs 4479.50. This statement clearly shows capacity of the PMC to incur an expenditure more than Rs 200 Cr in a financial year.

Municipal Corporation Budget for the year 2015-16							
(Amounts in Cr.)							
Income	Budget 'A'	Budget 'C'	Total	Expenditure	Budget 'A'	Budget 'C'	Total
				<i>Non Plan Expenditure</i>			
Opening Balance	0.01	0.01	0.02				
Local Body Tax	1495.58		1495.58	Establishment Exp	1104.26	135.24	1239.50
General Tax	411.39		411.39	Loan repayment(Principal & Interest)	41.78	41.78	83.56
Road Tax	93.61		93.61	Electrical Exp. & repairing	48.88	94.57	143.45
Conservancy Tax	23.88	179.79	203.67	Water exp.		23.32	23.32
Special Conservancy Tax	4.00		4.00	Medicine	46.02		46.02
Water benefit Tax		73.14	73.14	Depreciation	12.05	0.02	12.07
Sewerage Benefit Tax		90.62	90.62	Other Exps.	520.47	45.64	566.11
Fire cess	18.13		18.13	Maintenance and Repairs	17.48	0.07	17.55
Property Tax exp. -other receipts	91.61	0.02	91.63	Petrol & Diesel	21.71	1.20	22.91
Water Tax (R.V)		209.00	209.00	Ward wise works	30.92		30.92
Water Tax (meter)		113.50	113.50	Work carried out by Ward offices	42.06	12.52	54.58
Government Grant	117.80		117.80				
JNNURM Grant	181.16		181.16				
City Development Charges	49.00	49.00	98.00				
Building Permission and other	646.10		646.10				
Other Income	428.07	4.05	432.12				
Loan from banks	200.00		200.00				
Transfer from 'A'		4.20	4.20	Transfer to 'C'	4.20		4.20

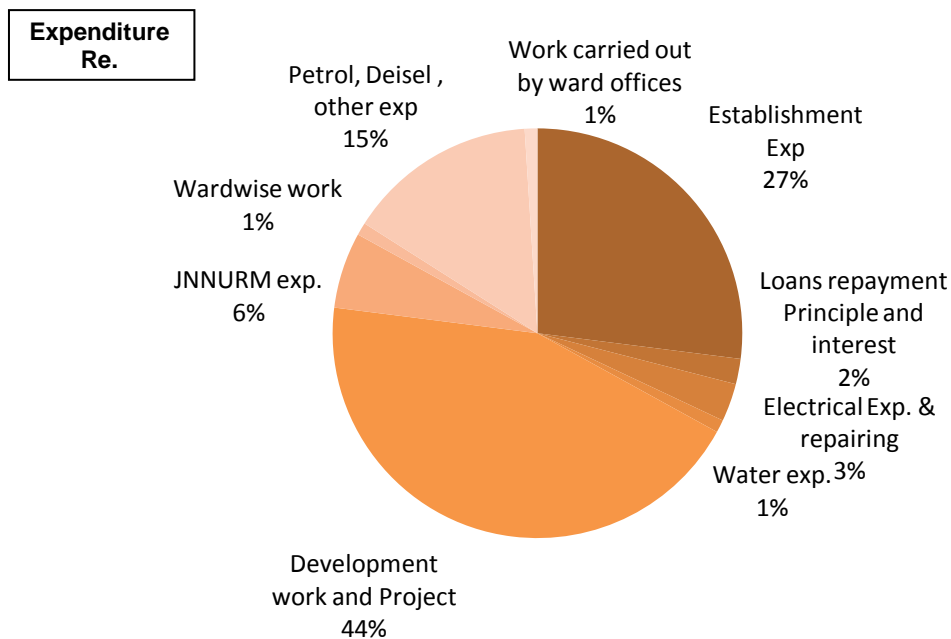
TOTAL INCOME	3760.33	723.32	4483.65	TOTAL EXPENDITURE	1889.83	354.36	2244.19
Opening balance +Receipts	3760.34	723.33	4483.70				
				<i>Plan Expenditure</i>			
				Capital & Development works	1870.96	284.85	2155.81
				Water Supply Project		22.74	22.74
				Drainage Project		61.40	61.40
				Total Capital & Developmental Works Exp.	1870.96	368.99	2239.95
				Closing Balance	-0.45	-0.02	-0.44
Total	3760.34	723.33	4483.70	Total	3760.34	723.33	4483.70
Less transfer from 'A'		4.20	4.20	Less transfer to 'C'	4.20		4.20
Total	3760.34	719.13	4479.50	Total	3756.14	723.33	4479.50

8. Graphical representation of Budget for the FY 2015-16

The pie chart depicts that, LBT and Property tax are the major sources of revenue to PMC.



The pie chart of the expenditure shows that a considerable portion of the rupee is being spent on the development work and related projects.



9. Actual Cash Flow statement as per Double Entry Based Financial Statements with Accrual Effects for the year 31.03.2011, 31.03.2012 and 31.03.2013

Under earlier mission of Central Government, it was mandated that Urban Local Bodies has to prepare all its financial statement under accrual based double entry accounting system. Accordingly National Municipal Accounting Manual for guidelines was issued. Accrual based Double entry reports gives true & fair view of financial position and assets & liabilities.

Accordingly PMC has prepared the CA certified Financial Statements up to 31.3.2013 and work for the FY 31.3.14 is under progress. We hereby reproduce Cash Flow Statement as per those reports for your reference:

PARTICULAR	Fig. in Rs.		
	31.3.13	31.3.12	31.3.11
Cash Flow From Operating Activities			
Deficit As Per Income & Expenditure A/C	(2,289,345,349)	(3,040,811,752)	(2,430,678,633)
Add: Non-Cash Expenses			
Depreciation	2,330,848,837	2,019,030,095	1,832,094,465
Provision For Overdue Taxes & Income	1,462,999,418	3,796,832,072	2,627,938,195
Interest Paid	213,079,263	220,217,089	228,258,008
Appropriations	16,173,711,075	15,141,683,428	10,513,523,613
	17,891,293,244	18,136,950,932	12,771,135,648
Less - Non-Operative Income			
Interest Received	1,468,302,113	1,086,206,869	612,433,124
Cash Flow before Working Capital Changes	16,422,991,130	17,050,744,063	12,158,702,524
Working Capital Adjustments			
Change In Current Assets	(3,859,752,600)	(2,827,577,681)	(2,746,654,368)
Change In Current Liabilities	1,129,414,502	(191,449,024)	3,160,131,565
NET WORKING CAPITAL CHANGES	(2,730,338,098)	(3,019,026,704)	413,477,196
NET CASH FLOW FROM OPERATING ACTIVITIES -A-	13,692,653,032	14,031,717,359	12,572,179,721
NET CASH FLOW FROM	(26,140,116,025)	(26,172,152,513)	(15,385,186,488)

PARTICULAR	Fig. in Rs.		
	31.3.13	31.3.12	31.3.11
INVESTMENT ACTIVITIES -B-			
Purchase Of Fixed Assets	(6,885,940,949)	(5,718,486,935)	(4,103,318,875)
Appropriations	(16,173,711,075)	(15,141,683,428)	(10,513,523,613)
Investment Made (Net)	(3,080,464,000)	(5,311,982,150)	(768,344,000)
NET CASH FLOW FROM FINANCING ACTIVITIES -C-	12,273,963,632	9,702,814,992	5,558,767,555
Interest Paid	(213,079,263)	(220,217,089)	(228,258,008)
Loan Repaid	(189,221,777)	(196,805,868)	(181,792,083)
Increase In Capital Reserves, Funds	11,207,962,559	9,033,631,080	5,356,384,522
Interest Recd	1,468,302,113	1,086,206,869	612,433,124
NET SURPLUS / (DEFICIT) D=A+B+C	(173,499,360)	(2,437,620,162)	2,745,760,788
OPENING CASH & CASH EQUIVALENT (E)	836,960,692	3,274,580,854	528,820,066
CLOSING CASH & CASH EQUIVALENT (F=D+E)	663,461,331	836,960,692	3,274,580,854

Note:-

- In FY 2010-11 the cash flow from operation stood at Rs 1257.21 Cr which grew to Rs 1369.26 Cr in FY 2012-13.
- Cash generation from financing activity is showing a growing trend. In FY 2010-11, the cash flow from financing activity was Rs 555.87 Cr which grew to Rs 1227.39 Cr in FY 2012-13.

10. Ratio Analysis

Important Ratios for PMC are summarised as follows:

Rs in Crores except Ratios

	Actual	Actual	Under Finalisation	Projected	Projected	Projected	Projected	Projected
	31.3.13	31.3.14	31.3.15	31.3.16	31.3.17	31.3.18	31.3.19	31.3.20
Total Revenue to Loans Income								
Total Revenue Income	2,962	2,982	3,215	3,434	3,670	3,925	4,201	4,500
Total Loans	188	168	147	122	95	76	60	41
Ratio	15.73	17.71	21.94	28.07	38.48	51.36	70.48	109.96
Surplus to Total Income Ratio								
Revenue Surplus	1,567	1,753	1,864	1,935	2,010	2,088	2,168	2,253
Total Revenue Income	2,962	2,982	3,215	3,434	3,670	3,925	4,201	4,500
Ratio	52.91%	58.78%	57.97%	56.37%	54.77%	53.19%	51.61%	50.05%
Capex to Total Income Ratio								
Capex	1,253	1,408	1,253	1,307	1,363	1,423	1,485	1,550
Total Revenue Income	2,962	2,982	3,215	3,434	3,670	3,925	4,201	4,500
Ratio	42.30%	47.20%	38.97%	38.06%	37.15%	36.25%	35.34%	34.44%
Surplus to Capex Ratio								
Surplus	1,567	1,753	1,864	1,935	2,010	2,088	2,168	2,253
Capex	1,253	1,408	1,253	1,307	1,363	1,423	1,485	1,550
Ratio	125.07%	124.54%	148.78%	148.10%	147.41%	146.73%	146.04%	145.35%
Interest Coverage Ratio								
Surplus	1,567	1,753	1,864	1,935	2,010	2,088	2,168	2,253
Interest on Loan	21	19	17	14	12	9	7	5
Ratio	73.54	94.24	109.64	134.40	171.64	229.66	305.41	450.53

- Total Revenue to Loans Ratio:** Same ratio is 16.16 time i.e revenues are more than 15.73 of all loans outstanding. It is likely to reduce to 109.96 gradually in 2019-20. It shows that the financial surplus of the

Corporation is strong enough to repay loans and there is a scope for further debt rising to a large extent.

- **Surplus to Total Income Ratio:** Same ratio is 52.91% in 2012-13 which is likely to maintain its level up to 31.3.2020. It denotes the strong revenue surplus capacity of the Corporation.
- **Capex to Total Income Ratio:** Capex to Income Ratio as on 31.3.13 is 42.30% which denotes that the revenues are much higher than the capex of the Corporation. It shows the capex execution capacity of the Corporation in monetary terms,
- **Surplus to Capex Ratio:** Surplus to Capex Ratio as on 31.3.13 is 125.07% which denotes that the revenue surplus is much higher than the capex of the Corporation.
- **Interest Coverage Ratio:** ICR is 73.54 i.e. Corporation has 73.54 times more cash accruals to serve the interest on loan. It shows that there is room to adjust further debt if in future.

11. Assumptions

We assumed following growth rates:

Revenue Income: (% Per Annum; p.a)		
1	Property Tax	7%
2	LBT	10%
3	Water Tax	4%
4	City Dev	3%
5	Other	4%
	Expenses	4%
Capex -		
	Road Building	5%
	Water & Drainage	2%

12. Summary

Availability of surplus revenue for Smart City Mission

Revenue surplus in the projected years is expected to be as under:

(Rs.in Crores)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Surplus	89.26	181.29	285.32	402.79	535.17	684.08

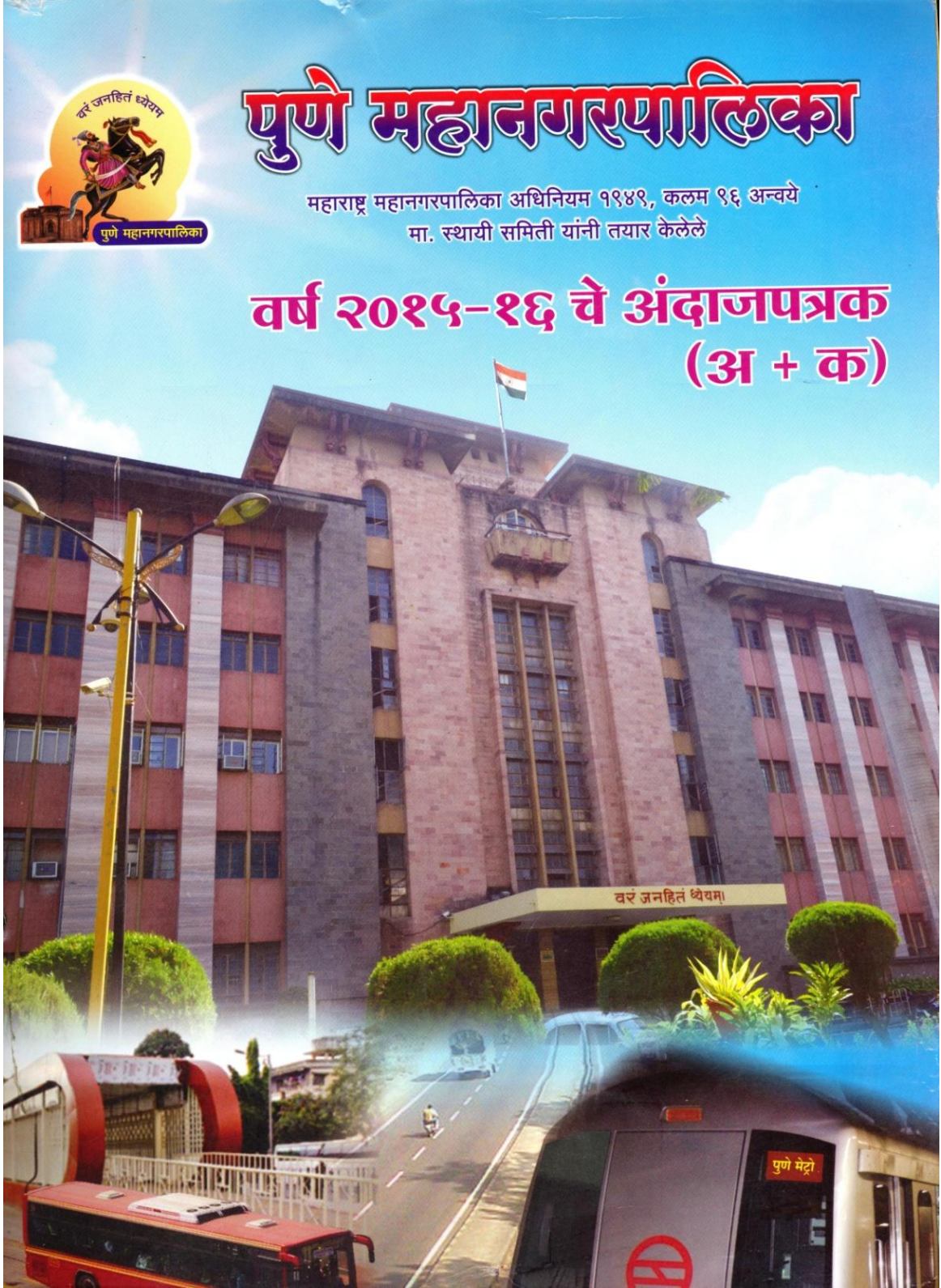
The average of the total expected surplus in the future is Rs 362.98 Crores.

Additional Criteria as Per GoM GR dated 1 July 2015 on Smart City Mission

- Pune Municipal Corporation has the capacity to allocate Rs 50 Cr funds per year for next 5 years from its own accruals (Certificate Attached)
 - ✓ The average revenue surplus earned by the PMC in the recent past is Rs 74 Crores. PMC is expecting the surplus to increase from Rs 89.26 cr in FY 14-15 to Rs 684.08 cr in FY 2019-20.
- Pune Municipal Corporation has the technical & administrative capacity to spend Rs 200 Crore per year for next 5 years. (Certificate Attached)
 - ✓ The total revenue and capital expenditure incurred by the PMC is as under: (Rs. in Crores)

(Rs.in Crores)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total Expenditure	2,190.85	1,841.39	2,526.42	2,826.71	3,166.95	3,125.74





Pune Municipal Corporation

PMC Building, Near Mangla Theatre,
Shivajinagar, Pune - 411 005.

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