

**The following Resolution passed in the General Board of  
Surat Municipal Corporation held on Dt:28-12-2018**

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Considering Standing Committee Resolution no-1556/2018, The fact of the proposal is that, in context and recommendation of Resolution No.346/2018 of the Standing Committee & the General Board Resolution No.83/2018, Dated 28/03/2018, the General Board of Surat Municipal Corporation has given the principal sanction for taking overdraft or loan from the Public Market for the Short term financial requirement or to issue Bond for the long term financial requirement of Surat Municipal Corporation.

As per above Resolution 'On File' permission of Chairman Shri, Standing Committee has been taken to authorise Municipal Commissioner for the various matters for the proposed Municipal Bonds issue including but not limited to appointment of intermediaries, selection of type of bond, coupon rate, security, redemption, credit enhancement, mode of issuance, selection of stock exchange, to prepare structure payment mechanization and opening of Escrow bank accounts and prerequisites of pre and post bond issue activities.

1. Municipal Commissioner has appointed following intermediaries for the proposed Bond issue as above.

Sr. No.	Intermediaries Name	Scope of Work
1.	SBI Capital Markets Limited	Advisor Cum Arranger
2.	Natvarlal Vepari & Co.	Chartered Accountant
3.	CRISIL Limited	Credit Rating Agency
4.	India Rating & Research Private Limited	Credit Rating Agency
5.	MV Kini Law Firm	Legal Counsel
6.	SBICAP Trustee Company Ltd.	Debenture Trustee
7.	Karvy Fintech Private Limited (earlier known as Karvy Computershare Private Limited)	Registrar & Transfer Agent

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The terms and conditions, scope of work and fees structure of above intermediateries are as per the submitted file with proposal's flag No.3.1 to 3.7.

2. As per Article 243(P) of Indian Constitution, definition of Urban Local Body (ULB) has been defined and under the Schedule Twelfth of Article 243W of Indian Constitution, Eighteen specific services have been entrusted for rendering to the public. Also, under section 63 of The Gujarat Provincial Municipal Corporation Act, there shall be mandatory provision for rendering different services to the public. In accordance with the above provisions, Surat Municipal Corporation is planning to develop new facility as well as enhancement of existing facilities of Sewerage Treatment Plants at various places of the city to meet the present and future capacity of Sewerage. The Drainage Department of Surat Municipal Corporation has identified the following 5 (Five) Sewerage Treatment Plant to develop new facility as well as enhancement of existing facilities of Sewerage, under Central Government "AMRUT" Scheme, the details about the sanctioned estimated cost of each STP, DPR amount sanctioned under "AMRUT" Scheme and sharing of grant of Central and State Government contribution regarding these projects are as per below statement.

(Rs.in Cr.)

Sr. No	Name of the Project	Tender/ Estimated Cost of each project *	Resolution No.&Date of General Board	Appr.DPR Cost of each project under AMRUT Grant	DPR Approval Letter Date under AMRUT Grant	Share as per Approved DPR under AMRUT			Funds to be sourced by ULB	Own Fund of ULB	Funds propose to be raised under Muni. Bond
						GOI	GOG	Total Grant from Govt.			
	[1]	[2]	[3]	[4]	[5]	[6]= [4]x33%	[7]= [4] x37%	[8] = [6]+[7]	[9]= [2]-[8]	[10]	[11]
1	Upgradation & Augmentation of Bhesan STP	189.35	400/2018, 27.03.2018	95.00	03.10.2017	31.35	35.15	66.50	122.85	44.48	78.37
2	Augmentation of Bhatar STP	107.06	1437/2018 20.11.2018	72.00	29.06.2018	23.76	26.64	50.40	56.66	20.52	36.14
3	Augmentation of Bamroli STP	110.49	430/2018, 28.09.2018	35.00	29.06.2018	11.55	12.95	24.50	85.99	31.14	54.85
4	Augmentation of Khajod STP	51.08	552/2018, 29.11.2018	34.07	20.07.2018	11.24	12.61	23.85	27.23	9.86	17.37
5	Augmentation of Asarma STP	39.95	426/2018, 28.09.2018	27.37	20.07.2018	9.03	10.13	19.16	20.79	7.53	13.26
	<b>Total</b>	<b>497.93</b>		<b>263.44</b>		<b>86.94</b>	<b>97.47</b>	<b>184.41</b>	<b>313.52</b>	<b>113.52</b>	<b>200.00</b>

\* Amount may vary at the time of sanctioning Tender.



3. Ministry of Housing and Urban Affairs (AMRUT IIB) of Government of India vide their letter No.K-16012/02/2018-AMRUT-IIB, dated 23/03/2018 announced scheme of incentives to Urban Local Bodies, which are covered under Atal Mission for Rejuvenation and Urban Transformation (AMRUT) for issuance of Municipal Bond. In this context, aforesaid Ministry has announced to encourage ULB in raising resources from market; it has been decided to incentivize the ULBs, which are covered under AMRUT Mission and raising funds by issuing Municipal Bonds. The Ministry intends to incentivize upto 10 ULB during the financial year 2018-19 for issuing Municipal Bond on "First Come First Serve" basis, based on the date of issue of Bonds. The incentive amount will be limited to Rs.13 crore for every Rs.100 crore of Bond issued and upto maximum of Rs.200 crore worth of Bonds per ULB will be incentivized under this scheme.
4. Resolved that, as per the financial as well as Organization's position of Surat Municipal Corporation. It has decided to borrow funds up to an amount of Rs.200 Crores from the open market, by issuing Municipal Bonds for the fulfilment of the projects mentioned under Para-2 above and to get benefit of incentive of up to an amount of Rs.26 Crores as per Government of India's scheme mention under Para-3 above. For the procedure of pre-issue of Municipal Bonds, Surat Municipal Corporation has appointed dual rating agencies namely (i) Crisil Limited and (ii) India Rating and Research Pvt. Ltd. requisite data have been given to the rating agencies.
5. Resolved that, as per the guidelines and norms of SEBI, for issuing Municipal Bonds there shall be Structured Payment Mechanism to be set up and is required to be sanctioned by the General Board of Surat Municipal Corporation as well as Government of Gujarat. In view of this, the draft Structures Payment Mechanism is hereby sanctioned which prepared by Advisor cum Arranger SBI Capital Markets Limited.



Under the structured payment mechanism all funds deposited whether on account of Property Tax & user charges or otherwise in the account(s) where Property Tax is deposited (Collection Account(s)) shall be transferred to a separate no-lien Escrow Account for debt servicing. Surat Municipal Corporation shall also maintain no lien account Debt Service Account (DSA) with the Escrow Banker for servicing debt of Issuer where funds have to be set apart from the Escrow Account. This transfer shall be done on a daily basis except on the last business day of every month. On the last business day of every month, the Minimum Balance maintained as indicated below shall be transferred to the Debt Service Account. Eligible Bondholders and Lenders shall have first and pari-passu charge over the Escrow Account, Debt Service Account and the collection account(s).

Surat Municipal Corporation should also establish separate Debt Service Reserve Account (DSRA), Interest Payment Account (IPA) and Sinking Fund Account (SFA) with the Escrow Banker as per the terms of each series. Bondholders/Lenders of particular series have first and pari-passu charge over DSRA, IPA & SFA for respective series.

- 1) The funds lying in the Escrow Account shall be used in the following priority:
  - a. The funds should be first utilised to meet Minimum Balance in Escrow Account. The Minimum Balance to be maintained in any month shall be calculated as per para 3 below.
  - b. The Minimum Balance shall not be used for any purpose other than transfer to the Debt Service Account.
  - c. The surplus funds after meeting the Minimum Balance can thereafter be transferred to SMCHO Account

Surat Municipal Corporation, with the written consent of the Trustees, can transfer the Minimum Balance maintained in Escrow Account to Debt Service Account on any day prior to the last business day of the month.

- 2) In case of any shortfall from transfer from Escrow Account to Debt Service Account, Surat Municipal Corporation shall make good the shortfall from the funds from other account(s) to Debt Service Account.



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- 3) The funds to be transferred to the Debt Service Account from the Escrow Account ("Minimum Balance") shall be aggregate of the following:
  - i) Monthly Contribution to be transferred from the Escrow Account shall be calculated separately for each Bond/loan facility as per the terms of the said issuance/facility.
  - ii) Shortfall in any earlier contribution to the extent not made good by Surat Municipal Corporation from other account(s).
- 4) The funds lying in the Debt Service Account (DSA) shall be used in the following priority:
  - a. Firstly, to transfer funds from Debt Service Account to Debt Service Reserve Account (DSRA), if any, as per terms of bonds/loans to make good any shortfall in DSRA account. At all times the DSRA should be maintained as per the terms of the bond issuance.
  - b. Secondly, transfer to Interest Payment Account(IPA) on monthly basis such sums as may be required by the terms of bond issuance and any shortfall in earlier contributions.
  - c. Thirdly, transfer to Sinking Fund Account(SFA) on monthly basis such sums as may be required by the terms of the bond issuance and any shortfall in earlier contributions.
- 5) Surat Municipal Corporation, at its sole discretion but with prior intimation to the Trustees, can expedite payment of any succeeding future month(s) contribution into the Debt Service Account such that at no time the contribution to Debt Service Account is less than as calculated in Para 3 above (including the contribution for the month to be expedited).
- 6) Bondholder(s)/Lenders(s) shall have first, exclusive and pari-passu charge over Debt Service Account. Each Bond shall have exclusive charge in its favour on the funds lying in DSRA, Interest Payment Account and Sinking Fund Account created specifically for that bond issue or any investments made from those accounts.



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- 7) Any surplus funds lying in DSRA, Interest Payment Account and Sinking Fund Account after the bond is redeemed in full or loan has been repaid shall be transferred to the Escrow Account.

**Current Bond Issue**

1. Surat Municipal Corporation shall open the following accounts for servicing the interest and principal of the proposed bonds for the exclusive benefit of the Bondholders:
  - a. Debt Service Reserve Account – Series [●] (“DSRA - [●]”)
  - b. Interest Payment Account – Series [●] (“IPA - [●]”)
  - c. Sinking Fund Account – Series [●] (“SFA - [●]”)
2. Surat Municipal Corporation shall set up the Escrow Account and Debt Service Account as mentioned above and shall cause the following funds to be transferred:
  - a. The Debt Service Reserve Account shall be funded one day before the pay-in date with an amount equal to annual interest payments for bonds structure.
  - b. At the end of each month, any shortfall from the amount mentioned in Schedule I mentioned of the Information Memorandum of each series in the Debt Service Reserve Account shall be transferred.
  - c. At the end of each month, an amount as mentioned in Schedule I of the Information Memorandum of each series, any further interest payable (by whatsoever name called) as per the terms of the issuance and any shortfall in earlier contribution shall be transferred to the Interest Payment Account.
  - d. At the end of each month, an amount as mentioned in Schedule I of the Information Memorandum of each series, and any shortfall in earlier contribution shall be transferred to the Sinking Fund Account.



- e. Any shortfall in the above account(s) shall be made good by Surat Municipal Corporation by transfer from other account(s) of Surat Municipal Corporation.
3. The funds lying in the above account(s) shall be utilized in the following manner:
- a. The funds lying in Debt Service Reserve Account- Respective Series can be used to meet any shortfall in Interest Payment Account and thereafter can be used to meet any shortfall at the time of final redemption of bonds. However, the Debt Service Reserve Account cannot be utilized to meet any shortfall in contribution to Sinking Fund Account except at the time of final redemption of bonds.
  - b. The funds lying in the Interest Payment Account- Respective Series can be used to make interest payment to the bondholder(s) of the bonds issued pursuant to the Information Memorandum of each series. Any surplus after making the payment to bondholder(s) should be first used to make good any shortfall in Debt Service Reserve Account- Respective Series and thereafter be used to make good any shortfall in contribution to Sinking Fund Account- Respective Series.
  - c. The funds lying in the Sinking Fund Account- Respective Series can be used to redeem the bonds issued pursuant to the Information Memorandum of that particular Series.
  - d. Any funds lying in the above account(s) can be used for making investment(s). However, the funds (including investment(s)) shall not, without the approval of the Debenture Trustees, be utilized for any purpose other than mention in points (a) to (c) above.
  - e. Any surplus funds lying in the above account(s) after the bonds issued pursuant to Information Memorandum of each series have been redeemed in full and all dues to the Bondholder(s) have been paid can be transferred to the Escrow Account after obtaining written consent of the Debenture Trustee.



4. The Debenture Trustee, on behalf of the Bondholder(s) shall have first and pari-passu charge over the Escrow Account, account(s) where Property Tax and user charges are being collected and Debt Service Account. The Bondholder(s) shall have first and exclusive charge on the funds lying in Debt Service Reserve Account- Respective Series, Interest Payment Account- Respective Series and Sinking Fund Account- Respective Series –and any investment(s) made from these account(s).
5. The Debenture Trustee, on behalf of the Bondholder(s), shall have lien on the Debt Service Reserve Account- Respective Series, Interest Payment account- Respective Series and Sinking Fund Account- Respective Series and any investment(s) made from these account(s) for the exclusive benefit of the Bondholder(s) for the bond issued under the Information Memorandum dated of each series. The amount deposited in Debt Service Reserve Account- Respective Series, Interest Payment Account- Respective Series and Sinking Fund Account- Respective Series shall be used solely for meeting the dues to these Bondholder(s). Any surplus in the account after meeting the dues to the Bondholder(s) can be transferred to the Escrow Account. No amount can be withdrawn from these account(s) without the approval of Debenture Trustees to the bondholder(s).
6. The Funds lying credited in the Interest Payment Account- Respective Series and Debt Service Reserve Account- Respective Series can be kept in Fixed Deposits with any scheduled commercial bank with a dual rating of AAA. However, the conditions of the fixed deposits shall not restrict premature withdrawal from the Fixed Deposit. The lien shall be created in favor of debenture trustee on all the investments made above.
7. The funds lying to the credit of Sinking Fund Account- Respective Series can be deposited in Fixed Deposit with any scheduled commercial bank with a dual rating of AAA and/or in Government Securities and Treasury Bills. The lien shall be created in favor of debenture trustee on all the investments made above.





8. Any actual interest income earned and received on these investment(s) can be utilized towards the future dues in the respective account(s).
9. Escrow Account, Debt Service Account, Debt Service Reserve Account- Respective Series, Interest Payment Account- Respective Series and Sinking Fund Account- Respective Series shall be maintained with a scheduled commercial bank rated at least AAA by two rating agencies throughout the tenor of the instrument. In case, at any point of time, the rating of senior debt of the Bank falls below AAA by any rating agency Surat Municipal Corporation shall, with written consent of Debenture Trustees, enter into escrow agreement with any other bank satisfying the rating criteria.
10. The Bank shall share statement(s) of these account(s) with Debenture Trustee and the Rating Agencies for such period as may be specified by the Debenture Trustee and/or Rating Agencies but not greater than 12 months in any case till such time as the bonds are redeemed. Surat Municipal Corporation and Debenture Trustee shall keep the Rating Agencies informed in case of change in the Bank.

**Interest Payment Mechanism**

The Trustees shall check the amount lying to the credit of Interest Payment Account at 25 days prior to the interest payment date. In case of any shortfall in amount, the trustees shall intimate Surat Municipal Corporation of the shortfall and Surat Municipal Corporation shall make good the shortfall in the Interest Payment Account by 15 days prior to the interest payment date. In case of shortfall in any amount in Interest Payment Account at 14 days prior to the interest payment date, the Trustee shall trigger the payment mechanism and instruct bank to transfer the shortfall amount from Debt Service Reserve Account- Respective Series to the Interest Payment Account- Respective Series by 10 days prior to the interest payment date. The Interest shall be paid by Surat Municipal Corporation on the due date. Any amount drawn from

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the Debt Service Reserve Account- Respective Series should be deposited back in the Debt Service Reserve Account- Series[●] as per the mechanism indicated above. The debenture trustee shall check the balance in the Sinking Fund Account- Respective Series at the end of the year and in case of any shortfall in the Sinking Fund Account- Respective Series, Surat Municipal Corporation shall replenish the Sinking Fund Account- Series[●] with the necessary amount to fill the shortfall. The Trustees shall check the amount lying to the credit of Sinking Fund Account- Respective Series at 25 days prior to the redemption date. In case of any shortfall in amount, the trustees shall intimate Surat Municipal Corporation of the shortfall and Surat Municipal Corporation shall make good the shortfall in the Sinking Fund Account- Respective Series by 15 days prior to the redemption date. The Trustees shall keep the Rating Agencies informed of any shortfall in Interest Payment Account- Respective Series, Debt Service Reserve Account- Respective Series, Sinking Fund Account- Respective Series and any transfer from Debt Service Reserve Account- Respective Series to Interest Payment Account- Respective Series.

#### **Restriction on the total borrowing**

Surat Municipal Corporation shall maintain the following ratios on an ongoing basis and the same should be tested at least at the end of each financial year

- (A) **DSCR on operating Surplus: Debt Service Coverage Ratio ("DSCR") for the Surat Municipal Corporation will not be less than 1.25 times of operating surplus calculated as the below:**

**DSCR on operating Surplus = operating surplus / total debt service**

- i) Operating surplus calculated as the below:

Operating Surplus = Total Income – Expenditure

Total Income = Total Income of the Corporation

Expenditure = Total Expenditure – Depreciation

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- ii) total debt service = interest payment of loans and bonds + principal repayment deposited in the sinking funds or installment of principal repayment + transfer to debt service reserve account

**(B) The total amount collected in escrow account shall be atleast 1.25 times of the Debt Service Amount on an annual basis. In case, the ratio falls below 1.25 times, Surat Municipal Corporation shall not borrow any further amount against the cash flow(s) of the escrow account. No permission to borrow further amount(s) by Surat Municipal Corporation shall be required, under this head, from the bondholder(s) as long as this condition is satisfied.**

**DSA is defined as follows:**

**DSA = Interest payment for the month + proportionate principal deposited in sinking fund or installment of principal redemption**

**(C) Surat Municipal Corporation shall not borrow any further funds against the cash flow of the Escrow Account in case there is a shortfall in contribution to Debt Service Account and the shortfall has not been made good by Surat Municipal Corporation.**

In context to **Para-1 to Para-5** of this Resolution, all facts mentioned above and Standing Committee vide resolution no.1556/2018, dt-13-12-2018, it is resolved that, the sanctioned/permission is hereby granted, **in anticipation of the General Board approval is Approved** for the issuing of Municipal Bond worth Rs.200 crore for the implementations and fulfilment of projects mentioned under Para-2 of this Resolution as well as to obtain benefit of incentivize of Rs.26 Crore mentioned under the scheme of Government of India as per Para-3 of the resolution along with the following particulars:

- i. Sanctioned to borrow up to Rs.200 crore by issuing Municipal Bond, with prior permission of Government of Gujarat, under section 109 of the Gujarat Provincial Municipal Corporation Act.

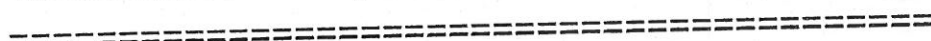
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- ii. Sanctioned of the projects mentioned under Para-2 of this resolution with prior permission of Government of Gujarat for issuing Municipal Bond.
- iii. Sanctioned of Draft Structure Payment Mechanism mentioned under para-5 above for the repayment of Municipal Bond prepared by SBI Capital Markets Limited, Advisor and Arranger of propose Municipal Bond.
- iv. Sanctioned for setting of Sinking Funds under section 112 of the Gujarat Provincial Municipal Corporation Act for the purpose of propose Bond Issue.
- v. Postfacto sanctioned of Appointment of intermediaries, their terms and conditions and fee structure, as mentioned in Para-3 above is hereby approved.
- vi. Hereby authorised Municipal Commissioner to open Escrow Bank Account, Debt Service Reserve Account, Interest Payment Account, Sinking Fund Account and lien all the funds deposited on account of Property Tax and user charges or otherwise in the accounts where property tax is deposited for the repayment of instalment as well as interest to the Bondholders as mentioned under Structure Payment Mechanism of the resolution.
- vii. Hereby Authorised Municipal Commissioner for selection of type of bond, coupon rate, security, redemption, credit enhancement, mode of issuance, selection of stock exchange, to prepare final structure payment mechanization and opening of Escrow bank accounts, allotment of bonds and prerequisites of pre and post bond issue activities.
- viii. Hereby Authorised Municipal Commissioner to sign all the agreements with all the intermediaries and authorities, regulatory for the purpose of bond issue, on behalf of Surat Municipal Corporation.



- ix. Hereby Authorised Municipal Commissioner to act for obtaining permission of Government of Gujarat in context to borrowing of funds, sanction of projects of Bond issue, sanction of final Structure Payment Mechanism, in accordance with the existing provisions and regulations of act and regulatory authorities.
- x. Hereby Authorised Municipal Commissioner to take any decision and do needful for the pre and post Bond issue activities, along with all necessary relevant activities.

**Resolution No.567/2018 sanctioned unanimously**



FWRs To, Municipal Commissioner shri

*[Signature]*

**Municipal Secretary**  
Surat Municipal Corporation  
Dt: 29-12-2018

*સુરત મ્યુનિસિપલ કોર્પોરેશન - ૨૦૨*

Jarivala Mukesh R.

Received On  
Dt: 29/12/18

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*Bond*  
*31/12*  
*Done CBFD*  
*-12-18*

*HC chief of accounts*

*Shri. Mukesh R. Jarivala*  
*Dy. Secy.*  
*for 29/12/18*

*A. A. Shekhar Dasanyal*  
*Shri. Imp. Secy.*

ACT/SP/11 743/  
DATE 31/12/18  
TIME 4:30