

Morgan Credits Pvt. Ltd.
September 17, 2019

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Debenture	800	CARE BBB-; Stable [Triple B Minus; Outlook: Stable]	Revised from Provisional CARE A- (CE); Stable [Provisional Single A Minus (Credit Enhancement); Outlook: Stable]
Total	800 (Rs. Eight Hundred crore only)		

Details of instruments/facilities in Anneuxre-1

Detailed Rationale & Key Rating Drivers

The revision in rating takes into account the fall in the stock price of the underlying shares of Yes Bank Limited (YBL) which are held by MCPL or Promoters and/or their relatives. The revised rating considers the moderation in cover due to fall in the stock price of the underlying shares of YBL. The rating is based on the internal credit enhancement in the form of pledge of unencumbered listed shares of YBL held by Morgan Credit Private Limited (MCPL) or MCPL's promoters and / or their relatives in favour of the Debenture Trustee.

Listed Shares Cover Ratio is the ratio of Market Value of the Pledged Shares to the Outstanding Debt (including accrued interest at the end of every 6 months).

The rating is constrained by limited income since MCPL is an investment company with primary source of income being dividend from YBL.

Detailed description of the key rating drivers**Key Rating Strengths****Financial flexibility owing to investment in YBL**

MCPL has financial strength due to its investment in YBL. MCPL held 3.03% stake in YBL as on March 31, 2019. MCPL with its associate entities / individuals held 10.62% stake in Yes Bank Limited as on March 31, 2019. Further, MCPL is subject to maintaining a security cover [i.e. the ratio of Market Value of pledged listed shares of Yes Bank Limited (YBL) held by Morgan Credit Private Limited (MCPL) or MCPL's promoters and / or their relatives to the Outstanding Debt (including accrued interest at the end of every 6 months)].

Key Rating Weakness**No income from business operations; income dependent on dividend declared by Yes Bank Limited**

Currently, the dividend from YBL is MCPL's primary source of income. Hence, income could fluctuate in case of any deterioration in the performance of YBL. In the past four years, MCPL has received Rs.54.80 crore (Rs.16.86 crore in FY18, Rs. 14.05 crore in FY17, Rs.12.65 crore in FY16 and Rs.11.24 crore in FY15) as dividend income and in the current FY19, MCPL has received Rs.18.96 crore as dividend from YBL. However, comfort can be drawn from performance of YBL which enjoys good credit worthiness. Substantial diminution in the value of investments held by MCPL in YBL is the key rating sensitivity.

Analytical approach: The rating is based on internal credit enhancement of loan backed by pledge of shares. The rated NCD is backed by the unencumbered listed shares of Yes Bank Limited (YBL) held by Morgan Credit Private Limited (MCPL) or MCPL's promoters and / or their relatives.

Applicable Criteria

[Criteria for Loan Backed by Pledge of Shares](#)

[Criteria of Rating Credit Enhanced Debt](#)

[Criteria on assigning Outlook to Credit Rating](#)

[CARE's Policy on Default Recognition](#)

About The Company**Morgan Credits Pvt. Ltd.**

MCPL is one of the promoter entities of Yes Bank holding 3.03% stake in Yes Bank Limited as on March 31, 2019. MCPL with its associate Company/individuals held 10.62% stake in Yes Bank Limited as on March 31, 2019. The Directors of the

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Company are Mrs Radha Kapoor Khanna, Mrs Raakhe K Tandon and Ms. Roshini Kapoor. It is primarily a core-investment company. In FY18, the loss was Rs.26.05 crore on total income of Rs 22.18 crore. The losses are on account of accrued interest cost that the company is incurring for borrowings that are invested in operating subsidiaries and such losses will get recouped once dividend / capital gain starts flowing from those investments.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (UA)
Total income	22.18	30.50
PAT	(26.05)	(75.81)
Interest coverage (times)	0.45	0.28
Total Assets	1,106	1,081
ROTA (%)	NM	NM

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure I- Instrument Details

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-Convertible Debenture	19-04-2018	Zero Coupon Bond	19-04-2021	800	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (27-Apr-18)	1)CARE AA; Stable (25-Sep-17) 2)Provisional CARE AA; Stable (27-Jul-17)	-
2.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (27-Apr-18)	1)CARE AA; Stable (20-Mar-18) 2)Provisional CARE AA; Stable (16-Oct-17)	-
3.	Debentures-Non Convertible Debentures	LT	800.00	CARE BBB-	1) Provisional CARE A- (CE); Stable (24-Jul-19)	1)CARE A-; Stable (12-Feb-19) 2) Provisional CARE A-; Stable (19-Nov-18) 2)CARE A-; Stable (18-July-18) 3) Provisional CARE A-; Stable (20-Apr-18)	-	-
4.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Provisional CARE A-; Stable (19-Nov-18) 2)Provisional CARE A-; Stable (18-July-18)	-	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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