

Yes Capital (India) Private Limited

March 27, 2018

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---------------------------------|--|--|---------------------|
| Non-Convertible Debenture issue | 630 (Rs. Six hundred and thirty crore only) | CARE AA; Stable (Double A; Outlook: Stable) | Final Rating |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating factors in Yes Capital (India) India Private Limited's (YCPL) financial flexibility owing to the company's investment in shares of Yes Bank Limited (YBL) that have a significantly higher market value as compared to book value. Furthermore, the rating considers that there will be no encumbrance on YBL shares held by YCPL and the total borrowings of YCPL will not exceed Rs.630 crore (excluding accrued interest). While calculating this limit of Rs.630 crore, entire borrowing as well as all contingent exposures (including but not limited to corporate guarantee, contingent liability, undertaking etc.) of YCPL shall be taken into account and also the cover (i.e. ratio of market value of YBL shares held by YCPL to total borrowings) shall be at least 3.3x at all times. The accrued interest at the end of each year will be added to total borrowing to arrive at 3.3x cover on YBL shares for the ensuing year due to zero coupon structure of NCD issuance. The borrowing limit excludes promoter sub-debt which YCPL proposes to raise to meet its business requirements. The rating is constrained by limited income since YCPL is an investment company with primary source of income being dividend from YBL. Substantial diminution in the value of investment held by YCPL in YBL and adherence to the below mentioned conditions is the key rating sensitivity. The rating is based on the following conditions to be maintained.

- i. The cover (i.e. ratio of market value of YBL shares held by the YCPL to total borrowings) shall be at least 3.3x at all times. In the scenario of a zero coupon NCD issuance, accrued interest at the end of each year will be added to total borrowing to arrive at 3.3x cover on YBL shares for the ensuing year.

Top Up Mechanism:

 - a) Transfer of additional YBL shares to YCPL as cover to the extent of the shortfall such that ratio of 3.3x is maintained or
 - b) Infusion of cash / liquid funds in the designated account so that the net value of the bonds outstanding is brought to the level such that the value of YBL shares to net bond outstanding is 3.3x
 - c) At the option of debenture holder, redeem such NCDs so that stipulated cover of 3.3x is maintained
 - d) The time limit for the top up mechanism will be 14 working days
- ii. No encumbrance on shares of YBL held by YCPL

Detailed description of the key rating drivers

Key Rating Strengths

Financial flexibility owing to investment in YBL

YCPL has financial flexibility due to its investment in YBL. YCPL held 3.29% stake as on December 31, 2017. YCPL with its associate companies held 10.70% (totally unencumbered) stake in Yes Bank Limited (rated CARE AA+; Stable) as on December 31, 2017. YCPL will maintain the coverage ratio (i.e. ratio of market value of YBL shares held by the YCPL to total borrowings) of at least 3.3x at all times.

Key Rating Weaknesses

No income from business operations; income dependent on dividend declared by Yes Bank Limited

Currently, the dividend from YBL is YCPL's primary source of income. Hence, income could fluctuate in case of any deterioration in the performance of YBL. In the past three years, YCPL has received Rs.40.84 crore (Rs.15.13 crore in FY17 and Rs.13.61 crore in FY16 and Rs.12.10 crore in FY15). However the comfort can be drawn from performance of Yes Bank Ltd which enjoys good credit worthiness. Substantial diminution in the value of investments held by YCPL in YBL is the key rating sensitivity.

Analytical approach:

The rating is based on the strength of the investment of YCPL in YBL and the extent of cover being offered. Further, the financial flexibility of YCPL due its holding of YBL shares is also factored in the rating.

Applicable Criteria

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

[CARE's policy on default recognition](#)

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

[Financial Ratios- Financial Sector
Factor Linkages in Ratings](#)

About the Company

YCPL with its associate companies held 10.70% (totally unencumbered) stake in Yes Bank Limited (rated CARE AA+; Stable) as on December 31, 2017. The Company is presently a Core Investment Company (CIC). As on March 31, 2017, the PAT was Rs.4.67 crore on total income of Rs 15.16 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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.

Analyst Contact:

Name: Mr. Abhishek Gupta

Tel: 022 67543558

Mobile: 9833368809

Email: abhishek.gupta@careratings.com

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|--------------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Debentures-Non Convertible Debenture | 12-Sep-2017 | Zero Coupon | 12-Oct-2017 | 630.00 | CARE AA; 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 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Debentures-Non Convertible Debentures | LT | 630.00 | CARE AA; Stable | 1)Provisional CARE AA; Stable (26-Sep-17) 2)Provisional CARE AA; Stable (29-Aug-17) | - | - | - |

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 9198190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 9198196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 9199675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 9198209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com