

June 24, 2022

Clix Capital Services Private Limited: Rating confirmed as final for PTCs backed by business loan receivables issued by BL Indigo 013

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
BL Indigo 013	Series A1 PTC	18.57	[ICRA]AA-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure-1

Rationale

In March 2022, ICRA had assigned a Provisional [ICRA]AA-(SO) rating to Series A1 PTC issued by BL Indigo 013. The pass-through certificates (PTCs) are backed by a pool of Rs. 24.11-crore business loan receivables (underlying pool principal of Rs. 20.41 crore) originated by Clix Capital Services Private Limited. Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

A summary of the performance of the pool after the May 2022 payout month has been provided below.

Parameter	BL Indigo 012
Months post securitisation	3
Pool amortisation	20.61%
PTC Amortisation PTC Series A	25.12%
Cumulative collection efficiency (including advance collections)	99.76%
Monthly Collection (Normal Coll + OD Coll)	99.74%
Loss-cum-0+ dpd	0.57%
Loss cum 30+ dpd	0.00%
Loss cum 90+ dpd	0.00%
Cumulative Prepayment rate	7.08%
Cumulative cash collateral (CC) utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of credit enhancement (CE) in the form of EIS, over-collateralisation and CC
- No overdue contracts in the pool as on the cut-off date
- Pool consists of non-restructured contracts
- High average seasoning and pre-securitisation amortisation in the pool as on cut-off date

Credit challenges

- High geographical concentration with top 3 states contributing ~68% to the initial pool principal amount
- Rise in delinquencies at portfolio level; peaking of delinquencies yet to happen across vintages as majority have not completed the cycle and major book building has happened only over the last two years
- Pool's performance will remain exposed to any further disruptions caused from Covid-19 pandemic

Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payments to Series A1 PTC at the predetermined interest rate on the principal outstanding. The principal repayment to Series A1 PTC is promised on the final maturity date. The principal is expected to be paid on a monthly basis to the extent of billing but is not promised. The EIS available after meeting the promised PTC payments shall flow back to the originator on every payout date. After the maturity of PTC Series A1, the collections from the pool would flow back to the originator on a monthly basis.

The first line of support for Series A1 PTC in the transaction is in the form of over-collateralisation of 9.0% of the pool principal. Additionally, the EIS available in the structure will provide CE support to the transaction. A CC of 10.0% (Rs. 2.04 crore) of the initial pool principal, to be provided by Clix Capital, would act as further CE in the transaction. In the event of a shortfall in meeting the promised PTC payouts during any month, the trustee will utilise the CC to meet the shortfall if the over-collateralisation and EIS are not sufficient.

The underlying loans follow a monthly payment schedule. There are no overdues in the pool and none of the loans in the pool are restructured as on the cut-off date. The average seasoning remains high at ~17 months with average pre-securitisation amortisation at ~26% on the cut-off date. The pool has high geographical concentration with the top 3 states (Maharashtra, Karnataka and Tamil Nadu) contributing 68.4% to the initial pool principal amount. The performance of the pool would remain exposed to disruptions caused by the pandemic.

Past rated pools: ICRA has rated seven business loan pools of Clix of which five are live as on date. Matured pools reported a healthy performance with no instance of CC utilisation. All the lives pools have reported strong collections with a cumulative collection efficiency above 97%, and hence no instance of CC utilisation, as on April-22 payout month.

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The mean and coefficient of variation (CoV) are calibrated on the basis of the values observed in the analysis of the past performance of the originator's loan portfolio. Given the limited track record of Clix Capital in this business loan segment, ICRA has also taken into account the credit quality experience of other more established players and ICRA's expectation of the credit quality of business loans. Clix Capital's target borrower segment could be financially vulnerable as well as subject to various seasonality factors. Though the company resorts to legal recourse for some delinquent loans, this may not always be a feasible option particularly given the small ticket size and the unsecured nature of the loans issued.

The resulting collections from the pool – after incorporating the impact of losses and prepayments as above – are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction. Various possible scenarios are simulated and the incidences of default to the investor as well as the extent of losses are measured. These are then compared with ICRA's internal benchmarks for the target rating.

For the current pool, it was observed that ~46% of the pool comprised Emergency Credit Line Guarantee Scheme (ECLGS) loans. To assess the creditworthiness of such loans, the performance track record of the base loans over a long period was factored in; timely payment track record of the borrowers on the base loans provides comfort from a credit perspective. After considering factors regarding the asset class and after adjusting for key features like seasoning, overdues, ticket size, internal rate of return (IRR), credit bureau score and geographical distribution, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 6.25-7.25%, with certain variability around it. The prepayment rate in the pool is assumed at 8.0-12.0% p.a. ICRA's estimation of the variability also factors in Clix Capital's limited track record. ICRA notes that the uncertainty around macro-level economic activity could lead to near-term stress on the pool's performance.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the Series A1 PTC investors.

Rating sensitivities

Positive factors – The rating could be upgraded based on sustained strong collection performance of the underlying pool contracts (monthly collection efficiency >95%), leading to lower than expected delinquency levels, and on an increase in the cover available for future PTC payouts from the credit enhancements.

Negative factors – The rating could be downgraded based on sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher than expected delinquency levels and credit enhancement utilisation levels.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Clix Capital Services Limited (Clix) is a non-banking finance company (NBFC) registered with the Reserve Bank of India (RBI) engaged in providing retail financing products (personal loans, business loans, MSME, housing finance etc). The company, which was incorporated as GE Money Financial Services Pvt Ltd (GE Money) in 1994, formed the 'non-banking business' of the General Electric (GE) Group along with its group company GE Capital Services India (GE Capital). In September 2016, this business was acquired by a consortium comprising AION Capital Partners, Mr. Pramod Bhasin and Mr. Anil Chawla and rebranded as 'Clix'¹. In April-2022, Clix Finance India Private Limited (CFIPL, erstwhile GE Capital), was merged with Clix. Following the merger, Clix's offering portfolio comprises micro, small & medium enterprise (MSME), and consumer lending along with healthcare and equipment finance and digital lending (onboarded from CFIPL). Additionally, Clix Housing Finance Private Limited, a wholly owned (subsidiary of Clix), is primarily engaged in housing/mortgage finance products.

Key financial indicators

Consolidated	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Provisional)
Total Income	506.44	494.76	663.89
Profit after tax	20.75	3.97	-84.45
Total Managed Assets	2,539	3,027	3,540
Gross NPA%	1.10%	3.59%	4.9%
Net NPA%	0.52%	1.46%	1.47%

Source: Company, ICRA Research; All ratios as per ICRA calculations; Amounts in Rs. Crore;

¹ GE Money was rechristened as Clix Capital Services Limited while GE Capital was rechristened as Clix Finance India Private Limited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					June 24, 2022			
1	BL Indigo 013	Series A1 PTC	18.57	18.57	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
BL Indigo 013	Series A1 PTC	February 2022	9.75%	December 2024	18.57	[ICRA]AA-(SO)

* Scheduled maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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