

September 28, 2022

Clix Capital Services Private Limited: Rating upgraded for PTCs issued under three personal loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Aug-22 Payout (Rs. crore)	Rating Action
Northern Arc 2021 PL Greig	PTC Series A	43.19	NA	15.48	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)
Northern Arc 2021 PL Kemper	PTC Series A	36.65	NA	13.90	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)
CredAvenue Miliano 06 2021	PTC Series A1	21.94	NA	9.20	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) originated by Clix Capital Services Private Limited (Clix) are backed by personal loan receivables. The rating has been upgraded on account of the high amortisation, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The rating draws comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the August 2022 payout month.

Pool performance summary

A summary of the performance of the pools till the July 2022 collection month (August 2022 payout) has been tabulated below.

Parameter	Northern Arc 2021 PL Greig	Northern Arc 2021 PL Kemper	CredAvenue Miliano 06 2021
Months post securitisation	14	14	14
Pool amortisation	64.17%	62.07%	53.42%
PTC Series A amortisation	57.75%	62.07%	58.07%
Cumulative collection efficiency	97.35%	98.19%	97.96%
Cumulative prepayment rate	19.58%	17.37%	23.53%
Average monthly prepayment rate	1.54%	1.35%	1.90%
Loss-cum-30+ (% of initial pool principal) ¹	3.76%	2.89%	2.11%
Loss-cum-90+ (% of initial pool principal) ²	2.90%	2.23%	1.70%
Cumulative CC utilisation	0.00%	0.00%	0.00%
CC available (as % of balance pool)	18.94%	52.73%	21.47%
EIS over balance tenure (as % of balance pool)	11.98%	6.85%	13.74%
Principal subordination (% of balance pool) PTC A1	23.67%	0.00%	17.18%
Breakeven collection efficiency	52.79%	48.03%	55.91%

¹ POS on contracts aged 30+ dpd + overdues / Initial POS on the pool

² POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

Key rating drivers

Credit strengths

- High amortisation of PTCs, resulting in build-up of cash collateral (CC), principal subordination and excess interest spread cover available for the balance PTC payouts in all three pools
- All three pools have exhibited stable cumulative collection efficiency till the August 2022 payout month

Credit challenges

- Exposed to risks associated with underlying asset class (unsecured/personal loans); pools' performance will remain exposed to any fresh disruptions that may arise due to the Covid-19 pandemic

Description of key rating drivers highlighted above

The cumulative collection efficiency of all three pools has been above 97% in all the months since origination. The loss-cum-90+ days past due (dpd) for all three pools has been sub-3.0% since origination, which is below the expected mean loss assumed for the balance tenure of the pools. Any shortfall in the collections in the past has been absorbed by the subordination and/or excess interest spread available in the structure. Hence, there has been no CC utilisation till date in any of the pools. Further, due to the significant amortisation of the PTC/pools, there has been a considerable build-up in the CE for the balance tenure of the PTC payouts. Hence, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the rating for these transactions. ICRA will continue to closely monitor the performance of these transactions. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

Performance of past rated pools: ICRA has rated 12 other personal loan pools originated by Clix. The pools, which were originated before the onset of the pandemic, witnessed a stress in collections and thus reported higher loss-cum-90+ numbers. However, there has not been any CC utilisation in any of the transactions and the CE has built up in all the pools

Key rating assumptions

ICRA's cash flow modelling for the surveillance of asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Northern Arc 2021 PL Greig	6.0-7.0%	9.0-12.0% p.a.
2	Northern Arc 2021 PL Kemper	6.0-7.0%	9.0-12.0% p.a.
3	CredAvenue Miliano 06 2021	6.0-7.0%	9.0-12.0% p.a.

Liquidity position

For Greig and Miliano: 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 CC available for Greig and Miliano is ~19% and ~21%, respectively, of the balance pool principal as of the August 2022 payout month. Thus, the cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the PTC investors.

For Kemper: Strong

As per the transaction structure, the interest amount and the pool principal are promised to the PTC holders on a monthly basis. The CC available for Kemper is ~53% of the balance pool principal as of the August 2022 payout month. Thus, the collections from the pool and the CC cover available are expected to be comfortable to meet the investor payouts.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pools along with a reduction in the loss-cum-delinquency numbers on a sustained basis, leading to the build-up of the CE cover for the remaining PTC payouts.

Negative factors – Pressure on the rating could emerge on the sustained weak collection performance of the underlying pools, leading to higher-than-expected delinquency levels and CE utilisation levels.

Analytical approach

The rating action is based on the performance of the pools till July 2022 (collection month), the present delinquency profile of the pools, the CE available in the pools, and the performance expected over the balance tenure of the pools.

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 Private Limited (Clix) is a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). It provides retail financing products (personal loans, business loans, micro, small & medium enterprise (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 was rebranded as Clix³. In April 2022, Clix Finance India Private Limited (CFIPL; erstwhile GE Capital) was merged with Clix. Following the merger, Clix's portfolio comprises 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, primarily provides housing/mortgage finance products.

Key financial indicators

Consolidated	FY2020	FY2021	FY2022*
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 data, ICRA Research; Amount in Rs. crore; *Provisional financials

³ GE Money was rechristened Clix Capital Services Private Limited while GE Capital was rechristened 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	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
				Sep 28, 2022				
Northern Arc 2021 PL Greig	PTC Series A	43.19	15.48	[ICRA]AA+(SO)	Sep 24, 2021	Jul 5, 2021	-	-
					[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
				Sep 28, 2022				
Northern Arc 2021 PL Kemper	PTC Series A	36.65	13.90	[ICRA]AA+(SO)	Sep 24, 2021	Jun 29, 2021	-	-
					[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
				Sep 28, 2022				
CredAvenue Miliano 06 2021	PTC Series A1	21.94	9.20	[ICRA]AA+(SO)	Sep 24, 2021	Jul 2, 2021	-	-
					[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Northern Arc 2021 PL Greig	PTC Series A	Moderately Complex
Northern Arc 2021 PL Kemper	PTC Series A	Simple
CredAvenue Miliano 06 2021	PTC Series A1	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 I: Instrument details

Trust Name	Instrument Type	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
Northern Arc 2021 PL Greig	PTC Series A	June 2021	9.75%	March 2025	15.48	[ICRA]AA+(SO)
Northern Arc 2021 PL Kemper	PTC Series A	June 2021	9.75%	May 2025	13.90	[ICRA]AA+(SO)
CredAvenue Miliano 06 2021	PTC Series A1	June 2021	9.25%	May 2025	9.20	[ICRA]AA+(SO)

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

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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