

September 28, 2022

Clix Capital Services Private Limited: Rating upgraded for PTCs issued under a business loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Sep-22 Payout (Rs. crore)	Rating Action
Northern Arc 2021 BL Evander	PTC Series A	18.31	NA	3.21	[ICRA]AAA(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 business loan receivables. The rating has been upgraded on account of the high amortisation in the transaction, which has led to the significant build-up of the credit enhancement (CE) cover over the future PTC payouts. ICRA notes that the cash collateral (CC) is more than adequate to meet the future PTC payouts. Thus, the breakeven collection efficiency for the transaction is nil.

Pool performance summary

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

Parameter	Northern Arc 2021 BL Evander
Months post securitisation	15
Pool amortisation	82.49%
PTC Series A amortisation	82.49%
Cumulative collection efficiency	98.50%
Cumulative prepayment rate	13.10%
Average monthly prepayment rate	0.87%
Loss-cum-30+ (% of initial pool principal) ¹	1.16%
Loss-cum-90+ (% of initial pool principal) ²	1.16%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool)	>100%
EIS over balance tenure (as % of balance pool)	3.96%

Key rating drivers

Credit strengths

- CC covers the entire future PTC payouts in the transaction

Credit challenges

- Pool's performance will remain exposed to any fresh disruptions that may arise due to the Covid-19 pandemic

Description of key rating drivers highlighted above

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

The cumulative collection efficiency of the pool has been above 98% in all the months since origination. The loss-cum-0+ and 90+ days past due (dpd) for the pool were 3.2% and 1.2%, respectively. Any shortfall in the collections in the past has been absorbed by the excess interest spread available in the structure. Thus, there has been no CC utilisation till date in the transaction. Further, due to the significant amortisation of the PTC/pool, 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 for the transaction. Moreover, the CC covers the entire future PTC payouts in the transaction. Going forward, any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations. ICRA will continue to closely monitor the performance of the transaction.

Performance of past rated pools: ICRA has rated nine business loan pools originated by Clix, of which five are live as on date. The matured pools reported a healthy performance with no instance of CC utilisation. The live pools, which have completed at least three payouts up to August 2022, have reported low delinquencies with a cumulative collection efficiency of more than 97% and nil CC utilisation.

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.

Liquidity position: Superior

The pool's cash flows and the available CE are expected to be highly comfortable to meet the promised payouts to the PTC Series A investors as the CC fully covers the future PTC payouts.

Rating sensitivities

Positive factors – Not applicable

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

Analytical approach

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

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

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	Sep 24, 2021	Jun 29, 2021		
Northern Arc 2021 BL Evander	PTC Series A	18.31	3.21	[ICRA]AAA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A	Simple

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

³ GE Money was rechristened Clix Capital Services Private Limited while GE Capital was rechristened Clix Finance India Private Limited

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 BL Evander	PTC Series A	June 2021	10.25%	October 2025	3.21	[ICRA]AAA(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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