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Clix Capital Services Private Limited: Rating confirmed as final for PTCs backed by personal loan receivables issued by Nimbus 2022 PL Masaryk

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 PL Masaryk	Series A PTC	101.19	[ICRA]AA(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure-1

Rationale

In July 2022, ICRA had assigned a Provisional [ICRA]AA(SO) rating to Series A PTCs issued by Nimbus 2022 PL Masaryk trust. The pass-through certificates (PTCs) are backed by a pool of Rs. 140.22-crore personal loan receivables (underlying pool principal of Rs. 111.20 crore) originated by Clix Capital Services Private Limited (Clix). 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 pool's performance after the September 2022 payouts is shown in the table below:

Parameter	Nimbus 2022 PL Masaryk
Months post securitisation	2
Pool amortisation	17.00%
Series A PTC Amortisation	18.69%
Cumulative prepayment rate %	8.53%
Cumulative collection efficiency	9.63%
Loss cum 0+ dpd	2.02%
Loss cum 30+ dpd	0.53%
Loss cum 90+ dpd	NA
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of CE in the form of EIS, over-collateralisation and CC
- Absence of overdue contracts as on pool cut-off date
- Low obligor concentration of the pool

Credit challenges

- The pool has moderate geographical concentration with top 3 states accounting for around 58% of the pool.
- Average pre-securitisation amortisation (~26%) of the pool as on pool cut-off date
- Rise in delinquencies at portfolio level seen during Covid pandemic
- Pool performance will remain exposed to any fresh disruptions caused by Covid-19 pandemic

Description of key rating drivers highlighted above

The underlying loans follow a monthly payment schedule. As per the transaction structure, the monthly cash flow schedule comprises the promised interest payment to Series A PTC at the predetermined interest rate on the principal outstanding and

the entire principal is promised on the final maturity date. The principal is expected to be paid on a monthly basis but is not promised. The EIS available after meeting the promised PTC payments shall flow back to the Originator on every payout date. The first line of support for Series A PTC in the transaction is in the form of over-collateralisation of 9.00% of the pool principal. Additionally, the EIS available in the structure provides CE support. A cash collateral (CC) of 10.0% of the initial pool principal provided by Clix acts 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.

There were no overdues in the pool as on the cut-off date. The pool consists of loans with moderate seasoning, having a weighted average seasoning of 11.7 months and average pre-securitisation amortisation of 26.0%. The pool has moderate geographical concentration with the top 3 states (Haryana, Maharashtra and Karnataka) accounting for 57.8% of the initial pool principal. The performance of Clix's personal loans portfolio was adversely impacted by the pandemic resulting in buildup of delinquencies. The improvement in recent quarters, as demonstrated by uptick in collections and lower delinquency of recent originations provides some comfort. This notwithstanding, the pool remains exposed to the underlying credit risks associated with the asset class (unsecured personal loans), and the performance could be impacted by macro-economic shocks / business disruptions, if any.

Past rated pools:

ICRA has rated 12 other personal loan pools originated by Clix. The live pools have shown satisfactory collections with cumulative collection efficiency above 90% with no instance of CC utilisation till date and the CE has built up in these pools.

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 the coefficient of variation (CoV) are calibrated on the basis of the values observed in the analysis of the past performance of Clix's loan portfolio. Given the short track record of Clix in the personal loan business, ICRA has also taken into account the credit quality experience of other more established players and ICRA's expectation of the credit quality of personal loans. Clix'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, after taking into account the above-mentioned factors regarding the asset class and after adjusting for key features like seasoning, overdue, ticket size, interest rate, bureau score, and geographical distribution, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 5.5-6.5%, with certain variability around it. The prepayment rate in the pool is estimated to be 3.2-12.0% p.a. with mean of 8.0%

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the Series A 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 credit enhancement are expected to be comfortable to meet the promised payouts to Series A PTC investors.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the CE cover for the remaining payouts.

Negative factors – Pressure on the rating could emerge with the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher-than-expected delinquency levels and CE 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 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 and 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 rebranded as Clix¹. 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

	FY2021 (Audited)	FY2022 (Audited)	H1 FY2023 (Provisional)
Total Income	494.76	663.5	325.08
Profit after Tax	3.97	-93.91	10.07
Total Managed Assets	3,027	3,560	3,904
Gross NPA%	3.59%	4.95%	2.90%
Net NPA%	1.46%	1.42%	1.31%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; FY2022 onwards data pertains to merged entity

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	Date & Rating in FY2022		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					November 1, 2022	July 1, 2022			
1	Nimbus 2022 PL Masaryk	Series A PTC	101.19	101.19	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-

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

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A 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
Nimbus 2022 PL Masaryk	Series A PTC	June 2022	9.50%	January 2027	101.19	[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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