

February 15, 2024

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

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Jan-24 Payout (Rs. crore)	Rating Action
BL Indigo 032	Series A1 PTC	27.09	NA	8.74	[ICRA]AA(SO); Upgraded from [ICRA]AA-(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by business loan receivables originated by Clix Capital Services Private Limited (Clix). The rating has been upgraded due to the substantial build-up of the credit enhancement (CE) cover over the future PTC payouts, on account of the high amortisation of the underlying pool. The rating also draws comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the January 2024 payout month.

Pool performance summary

A summary of the performance of the pools till the January 2024 payout (December 2023 collection month) has been tabulated below.

Parameter	BL Indigo 032
Months post securitisation	14
Pool amortisation	62.7%
Series A1 PTC amortisation	67.7%
Cumulative collection efficiency	96.5%
Cumulative prepayment rate	12.2%
Loss-cum-30+ (% of initial pool principal) ¹	5.8%
Loss-cum-90+ (% of initial pool principal) ²	4.1%
Cumulative CC utilisation	0.0%
CC available (as % of balance pool)	26.8%
EIS over balance tenure (as % of balance pool)	7.6%
Principal subordination (% of balance pool) PTC A1	20.4%
Breakeven collection efficiency	50.9%

Key rating drivers

Credit strengths

- Substantial amortisation of the PTC resulting in high credit enhancement build up for future PTC payouts.
- Healthy collection efficiency observed in the pool.

Credit challenges

- Exposed to inherent credit risk associated with the unsecured nature of the asset class; pool's performance could be affected by macro-economic shocks/business disruptions, if any.

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

Description of key rating drivers highlighted above

The cumulative collection efficiency for the pool has been reported above 92% since origination. The loss-cum-90+ days past due (dpd) had been reported below 3% till December 2023 payout month, however loss-cum-90+ dpd spiked to 4.13% in January 2024 payout month. This was primarily due to two underlying loans of higher ticket size which slipped from 60+ dpd to 90+ dpd bucket in the pool. 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 the pool. Further, due to the significant amortisation of the PTC/pool, there has been a substantial build-up in the CE for the balance tenure of the PTC payouts. 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 previously rated 20 BL pools, originated by Clix. Though collections in the pools were impacted for a few months due to the pandemic, the performance of live pools (which have completed atleast 3 payouts) as of January 2023 payout month, has been strong with cumulative collection efficiency above 96%. There has not been any CC utilisation in any of the transactions till date and the CE is building up in all the live 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 mean shortfall in principal collection during the tenure of the pool is estimated at 1.50-2.50% (on initial principal outstanding), with certain variability around it. The prepayment rate for the underlying pool is estimated at 4.8-18% per annum.

Liquidity position: Superior

The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be greater than 9 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded if the amortisation of the loan facilities leads to the build-up of the CE cover over future payments.

Negative factors – The sustained weak collection performance (monthly collection efficiency <90%) of the underlying pool leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings downgrade. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till December 2023 (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 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 was rebranded as Clix. 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)*	FY2023 (Audited)	H1 FY2024 (Provisional)
Total income	494.8	663.5	703	458
Profit after tax	3.9	-93.9	45	30
Total managed assets	3,027	3,650	4,373	5,091
Gross NPA	3.6%	4.9%	2.4%	2.2%
Net NPA	1.5%	1.4%	1.5%	n/a

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Data from FY2022 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 (FY2024)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
				Feb 15, 2024	Feb 10, 2023	Nov 07, 2022	-	-
BL Indigo 032	Series A1 PTC	27.09	8.74	[ICRA]AA(SO)	[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: [Click Here](#)

Annexure I: Instrument details

Trust Name	Instrument Type	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
BL Indigo 032	Series A1 PTC	October 2022	10.35%	April 2025	8.74	[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:

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.

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