

July 22, 2024

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

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after May-24 Payout (Rs. crore)	Rating Action
Periwinkle 2023	Series A1 PTC	55.42	NA	24.70	[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 / Originator).

The rating has been upgraded on account of the healthy pool performance and high amortisation, which has led to the build-up of the credit enhancement cover over the future PTC payouts. The rating also draws comfort from the fact that the breakeven collection efficiency is comfortably lower as compared to the actual collection level observed in the pool till the June 2024 payout month.

Pool performance summary

Parameter	Periwinkle 2023
Payout month	June 2024
Months post securitisation	13
Pool amortisation	51.1%
PTC amortisation	55.4%
Cumulative collection efficiency	96.5%
Cumulative prepayment rate	20.7%
Loss-cum-30+ dpd (% of initial pool principal) ¹	5.6%
Loss-cum-90+ dpd (% of initial pool principal) ²	4.9%
Cumulative cash collateral (CC) utilisation	0.0%
CC available (as % of balance pool principal)	20.4%
EIS over balance tenure (as % of balance pool principal)	8.5%
Principal subordination (% of balance pool principal)	22.5%
Breakeven collection efficiency	67.9%

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises of the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

¹ Principal outstanding (POS) on contracts aged 30+ days past due + overdues / Initial POS on the pool

² POS on contracts aged 90+ days past due + overdues / Initial POS on the pool

Key rating drivers

Credit strengths

Substantial credit enhancement available in the structure – The rating factors in the build-up of credit enhancement with cash collateral increasing to 20.4% of the balance pool principal as compared to 10% at time of securitisation. Internal credit support is also available through scheduled EIS of 8.5% and subordination of 22.5%.

Healthy pool performance – Performance of the pool has been strong with cumulative collection efficiency being above ~96% till June 2024 payout month and break-even collection efficiency is lower than the monthly collection efficiency observed in the pool. Pool has reported moderate delinquency with 90+ dpd at 4.9%; however, 0+ dpd has remained stable with no major fresh slippages into softer delinquency bucket in the recent months. Further, there have been no instances of cash collateral utilization for the pool till date owing to strong collection performance and presence of EIS.

Credit challenges

Risks associated with lending business – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class and that recovery from delinquent contracts tends to be lower.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation 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 assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 3.75% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Periwinkle 2023
Originator	Clix Capital Services Private Limited
Servicer	Clix Capital Services Private Limited
Trustee	IDBI Trusteeship Services Limited
CC holding Bank	State Bank of India
Collection and payout account Bank	State Bank of India

Liquidity position - Superior

The liquidity for the PTC instrument is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is ~6.25 times the estimated loss in the pool.

Rating sensitivities

Positive factors –The rating could be upgraded when the CC will cover entire balance PTC payouts.

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

Analytical approach

The rating action is based on the performance of the pool till June 2024 payout month (May 2024 collection month), the present delinquency profile of the pool, the credit enhancement 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 originator

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

Particulars	FY2022 (Audited)	FY2023 (Audited)	FY2024 (Audited)
Total Income	664	703	955
Profit after tax	-94	45	62
Total Managed Assets	3,650	4,373	5,681
Gross Stage 3	5.0%	2.4%	1.8%
CRAR	35.8%	37.1%	28.3%

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				July 22, 2024	July 28, 2023	May 1, 2023	-	-
Periwinkle 2023	Series A1 PTC	55.42	24.70	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Periwinkle 2023	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 (p.a.p.m.)	Maturity Date	Amount Rated (Rs. Crore)	Current Rating
Periwinkle 2023	Series A1 PTC	April 28, 2023	9.90%	October 15, 2025	24.70	[ICRA]AA+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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