

August 28, 2024

Clix Capital Services Private Limited: Ratings reaffirmed for PTCs issued under personal loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount as per Previous Exercise (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Gurez 2023	Series A PTC	26.04	26.04	4.78	[ICRA]A+(SO); reaffirmed
PL Matagot 2023	Series A1(a) PTC	21.66	21.66	1.56	[ICRA]AA+(SO); reaffirmed
	Series A1(b) PTC	2.41	2.41	2.41	[ICRA]A+(SO); reaffirmed
PL Carnation 2023	Series A1 PTC	33.36	33.36	10.30	[ICRA]AA-(SO); reaffirmed
	Equity Tranche PTC	2.27	2.27	2.27	[ICRA]A-(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by personal loan receivables originated by Clix Capital Services Private Limited (Clix/Originator).

The ratings reaffirmation factors in the high amortisation of the pools, which has led to the build-up of the credit enhancement cover over the future PTC payouts. ICRA, however, notes the higher-than-expected delinquencies in the pools with limited recoveries expected, given the unsecured nature of the asset class. Nevertheless, the breakeven collection efficiency for these pools is lower than the monthly collection efficiency as of the July 2024 payout month, providing comfort for the rating levels.

Pool performance summary

Parameter	Gurez 2023	PL Matagot 2023	PL Carnation 2023
Payout month	July 2024	July 2024	July 2024
Months post securitisation	15	16	15
Pool amortisation	71.9%	75.3%	60.8%
PTC amortisation: Senior tranche	81.7%	92.8%	69.1%
PTC amortisation: Subordinate tranche	NA	0.0%	0.0%
Cumulative collection efficiency	93.6%	92.4%	92.9%
Cumulative prepayment rate	30.1%	26.4%	20.2%
Loss-cum-30+ dpd (% of initial pool principal) ¹	8.0%	8.4%	11.2%
Loss-cum-90+ dpd (% of initial pool principal) ²	5.2%	6.7%	6.3%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%	0.0%
CC available (as % of balance pool principal)	17.8%	19.3%	15.3%
Excess interest spread (EIS) over balance tenure for senior tranche (as % of balance pool principal)	15.0%	15.1%	16.4%
Principal subordination for senior tranche (% of balance pool principal)	42.6%	76.4%	30.6%
Breakeven collection efficiency for senior tranche	35.8%	3.1%	48.2%

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

Transaction structure

Gurez 2023:

The transaction has a single-tranche structure, comprising only Series A PTC. As per the transaction structure, the monthly cash flow schedule comprises 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 the Series A PTC principal.

PL Matagot 2023:

The transaction has a two-tranche structure, comprising Series A1(a) PTC and Series A1(b) PTC. Till January 17, 2025, the monthly collections from the pool will be used to make the promised interest payout to both series of PTCs on a pari-passu basis. Thereafter, the collections will be used to make the expected principal payouts to PTC Series A1(a) till it has been fully redeemed and then to redeem Series A1(b) PTCs on expected basis. From the January 18, 2025 payout, the monthly collections from the pool will be used to make the promised interest payout to both series of PTCs on a pari-passu basis and the remaining cash flows will subsequently be used to make the expected principal payment towards both series of PTCs on a pari-passu basis. The principal is promised on the final maturity dates only, i.e. March 16, 2027 for Series A1(a) PTCs and March 17, 2027 for Series A1(b) PTCs. Any surplus 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 the PTC principal as per the above-mentioned schedule.

PL Carnation 2023:

The transaction has a two-tranche structure, whereby the equity tranche is subordinate to Series A1 PTC. As per the transaction structure, the monthly cash flow schedule comprises 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 EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Only after Series A1 PTC is fully redeemed, collections from the pool will be used for payouts to the equity tranche. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal and it will be passed on to the equity tranche for redemption only after Series A1 PTC is fully redeemed.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The ratings factor in the build-up of credit enhancement with the cash collateral (CC) increasing substantially to the range of 15% to 20% compared to the initial level of 5% to 6% for the transactions. Credit support is also available in the transactions through the EIS and subordination.

Credit challenges

Rising delinquencies in the pools – The monthly collections in the pools have dipped below 90% in recent months, leading to a rise in delinquencies even in the harder buckets of 90+ days past due (dpd). Nonetheless, the pools have high amortisation and the breakeven collection efficiency is low compared to the actual collection level observed in the pools.

Risks associated with lending business – The pools' 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 pools are exposed to the inherent credit risk associated with the unsecured nature of the asset class. Moreover, recoveries from delinquent contracts tend to be lower in this segment.

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 pools, ICRA has estimated the shortfall in principal collection (with certain variability around it) and prepayments during their tenure as provided in the following table.

S. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1.	Gurez 2023	6.00%	3.2% - 12.0% p.a.
2.	PL Matagot 2023	5.50%	3.2% - 12.0% p.a.
3.	PL Carnation 2023	6.50%	3.2% - 12.0% p.a.

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 ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Gurez 2023	PL Matagot 2023	PL Carnation 2023
Originator	Clix Capital Services Private Limited	Clix Capital Services Private Limited	Clix Capital Services Private Limited
Servicer	Clix Capital Services Private Limited	Clix Capital Services Private Limited	Clix Capital Services Private Limited
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC holding bank	ICICI Bank	Federal Bank	DCB Bank
Collection and payout account bank	ICICI Bank	ICICI Bank	ICICI Bank

Liquidity position

For Gurez 2023

Series A PTC: Strong

The liquidity for Series A PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.25 times the estimated loss in the pool.

For PL Matagot 2023

For Series A1(a) PTC: Strong

The liquidity for Series A1(a) PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.75 times the estimated loss in the pool.

For Series A1(b) PTC: Adequate

The liquidity for Series A1(a) PTC is adequate after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~2.50 times the estimated loss in the pool.

For PL Carnation 2023

For Series A1 PTC: Strong

The liquidity for Series A1 PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.25 times the estimated loss in the pool.

For equity tranche: Adequate

The liquidity for the equity tranche PTC is adequate after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~2.25 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The ratings could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future PTC payouts from the credit enhancement.

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 ratings.

Analytical approach

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

Clix	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

S. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
			Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025 Aug 28, 2024	Date & Rating in FY2024 Aug 04, 2023	Date & Rating in FY2023 Mar 30, 2023	Date & Rating in FY2022 -
1.	Gurez 2023	Series A PTC	26.04	4.78	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-

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			Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025 Aug 28, 2024	Date & Rating in FY2024 Aug 04, 2023	Date & Rating in FY2023 Mar 30, 2023	Date & Rating in FY2022 -
2.	PL Matagot 2023	Series A1(a) PTC	21.66	1.56	[ICRA]AA+(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-
		Series A1(b) PTC	2.41	2.41	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-

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			Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025 Aug 28, 2024	Date & Rating in FY2024 Aug 04, 2023	May 04, 2023	Date & Rating in FY2023 -	Date & Rating in FY2022 -
3.	PL Carnation 2023	Series A1 PTC	33.36	10.30	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-
		Equity tranche PTC	2.27	2.27	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Gurez 2023	PTC Series A	Moderately Complex
PL Matagot 2023	Series A1(a) PTC	Moderately Complex
	Series A1(b) PTC	Moderately Complex
PL Carnation 2023	Series A1 PTC	Moderately Complex
	Equity tranche 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)	Rating
Gurez 2023	Series A PTC	March 31, 2023	11.25%	September 20, 2027	4.78	[ICRA]A+(SO)
PL Matagot 2023	Series A1(a) PTC	March 31, 2023	10.45%	March 16, 2027	1.56	[ICRA]AA+(SO)
	Series A1(b) PTC		12.25%	March 17, 2027	2.41	[ICRA]A+(SO)
PL Carnation 2023	Series A1 PTC	April 30, 2023	10.40%	September 15, 2027	10.30	[ICRA]AA-(SO)
	Equity tranche PTC		NA		2.27	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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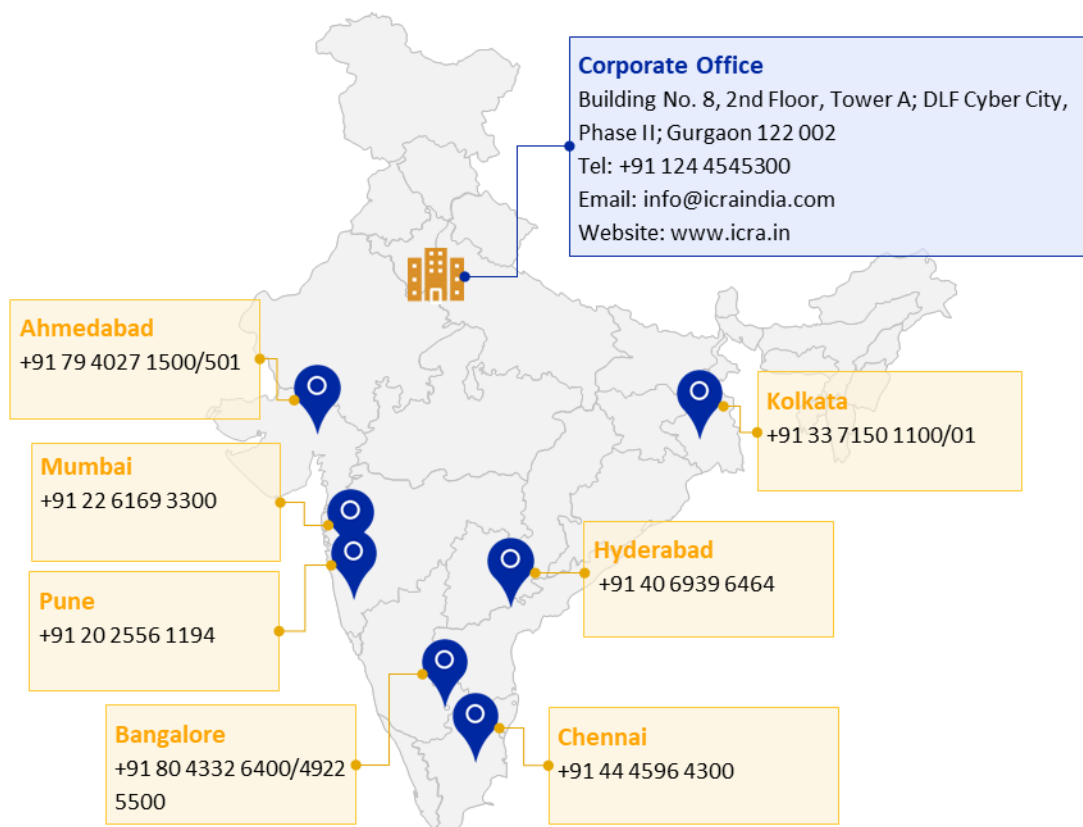


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