

October 28, 2024

## Clix Capital Services Private Limited: Ratings reaffirmed for PTCs/SNs backed by pool of business loan receivables securitisation transaction

### Summary of rating action

Trust Name	Instrument*	Initial rated Amount (Rs. crore)	Previous rated amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
<b>Enchantment 2023</b>	Series A1 PTC	26.26	26.26	9.16	[ICRA]A+(SO); Reaffirmed
<b>Hestia 2023</b>	Series A1 SN	44.35	44.35	10.34	[ICRA]AA(SO); Reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) and Securitisation notes (SNs) are backed by a pool of business loan (BL) receivables originated by Clix Capital Services Private Limited (Clix/Originator).

The ratings have been reaffirmed on account of the healthy amortisation and build-up in the credit enhancement level in the transactions. The ratings take into account the lower breakeven collection efficiency compared to the actual collection level observed in the pool till the September 2024 payout month.

### Pool performance summary

Parameter	Enchantment 2023	Hestia 2023
<b>Payout month</b>	September 2024	September 2024
<b>Months post securitisation</b>	14	15
<b>Pool amortisation</b>	59.6%	67.6%
<b>PTC/SN amortisation</b>	65.1%	76.7%
<b>Cumulative collection efficiency<sup>3</sup></b>	97.3%	95.2%
<b>Loss-cum-30+ dpd<sup>1</sup> (% of initial pool principal)</b>	3.6%	6.6%
<b>Loss-cum-90+ dpd (% of initial pool principal)</b>	3.3%	6.0%
<b>Breakeven collection efficiency<sup>2</sup> for Series A1 PTC/SN</b>	57.7%	36.5%
<b>Cumulative cash collateral (CC) utilisation (% of initial CC)</b>	0.0%	0.0%
<b>CC (as % of balance pool principal)</b>	18.6%	24.7%
<b>Excess interest spread (EIS) (as % of balance pool): Series A1<sup>3</sup></b>	7.6%	8.3%
<b>Cumulative prepayment rate</b>	12.0%	12.8%

### Transaction structure

**Enchantment 2023** - 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 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.

<sup>1</sup> Days past due

<sup>2</sup> Breakeven collection efficiency = Balance PTC cash flows – Cash collateral available / Balance pool cash flows

<sup>3</sup> (Balance pool cash flows – Balance cash flows to PTC/SN – Originator's residual share) / Pool principal outstanding

**Hestia 2023** - As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (88% of the pool principal billed). The balance principal (12% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A1 SN. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, would be passed on as the expected yield to equity tranche held by the Originator. Any prepayment in the pool would be used for the prepayment of Series A1 SN principal.

### Reset of credit enhancement

At Clix's request for resetting the credit enhancement, ICRA has analysed the transaction basis the cash collateral (CC) mentioned in the table provided below.

Transaction Name	Current CC Outstanding [A]	CC Required as per ICRA for Maintaining Present Rating [B]	CC that can be Released [C]= 60%*(A - B)	Revised CC Limit [D] = (A - C)
<b>Enchantment 2023</b>	2.15	0.65	0.90	1.25
<b>Hestia 2023</b>	4.04	2.02	1.21	2.83

Amount in Rs. crore

Based on the pool's performance, the ratings for the PTCs/SNs will remain unchanged even after the CC amount is reset. However, as per regulatory guidelines, the maximum amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA. The CC reset shall be subject to the approval of the respective investors.

### Key rating drivers and their description

#### Credit strengths - Enchantment 2023

**Substantial credit enhancement available in the structure** – The rating factors in the build-up of credit enhancement with cash collateral increasing to 18.56% of the balance pool principal as compared to 7.50% at time of securitisation. Further internal credit support is also available through scheduled EIS and subordination.

**Healthy pool performance** – Performance of the pool has been strong with cumulative collection efficiency being above ~97% till September 2024 payout month and break-even collection efficiency is lower than the monthly collection efficiency observed in the pool. 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 strengths - Hestia 2023

**Substantial credit enhancement available in the structure** – The rating factors in the substantial build-up of credit enhancement with cash collateral increasing to 24.72% of the balance pool principal as compared to 8.00% at time of securitisation. Further internal credit support is also available through scheduled EIS and subordination. Although the pool has reported rise in delinquencies, collection efficiency remains comfortably above the breakeven collection efficiency in the transaction.

#### Credit challenges – for both 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 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 pools, ICRA has estimated the shortfall in the pool principal collection during their tenure as per the table below with certain variability around it. The average prepayment rate for the pool is also given in the table below. 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.

S. No.	Transaction Name	Expected Loss* (% of initial pool principal)	Prepayment
1	Enchantment 2023	5.63%	3.20%-12%
2	Hestia 2023	5.93%	3.20%-12%

## Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Enchantment 2023	Hestia 2023
Originator	Clix Capital Services Private Limited	Clix Capital Services Private Limited
Servicer	Clix Capital Services Private Limited	Clix Capital Services Private Limited
Trustee	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited
CC bank	IDFC First Bank	ICICI Bank
Collection and payout account bank	IDFC First Bank	ICICI Bank

## Liquidity position

### Enchantment 2023: 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 is ~5.25 times the estimated loss in the pool.

### Hestia 2023: Series A1 SN – Strong

The liquidity for Series A1 SN is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is ~5.25 times the estimated loss in the pool.

## Rating sensitivities for both the transactions

**Positive factors** – The ratings could be upgraded when the CC covers the entire balance PTC/SN 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 the September 2024 payout month (August 2024 collection month), the present delinquency profile of the pool, the credit enhancement available in the transaction, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
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	FY2023	FY2024	Q1 FY2025*
Total revenue	663.5	706.0	955.0	264.7
PAT	-93.9	45.0	61.8	29.1
Total managed assets	3,650	4,374	5,681	5,931
Gross stage 3	4.9%	2.4%	1.8%	2.0%
CRAR	35.8%	37.1%	28.3%	27.7%

Source: Company data, ICRA Research; Amount in Rs. crore; \*Provisional

## 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 in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				Oct 28, 2024	Oct 16, 2023	Jul 05, 2023		
Enchantment 2023	Series A1 PTC	26.26	9.16	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

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 in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				Oct 28, 2024	Oct 16, 2023	Jul 28, 2023	-	-
<b>Hestia 2023</b>	Series A1 SN	44.35	10.34	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
<b>Enchantment 2023</b>	Moderately Complex
<b>Hestia 2023</b>	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 and Outlook
<b>Enchantment 2023</b>	Series A1 PTC	June 28, 2023	10.30%	November 17, 2025	9.16	[ICRA]A+(SO)
<b>Hestia 2023</b>	Series A1 SN	July 28, 2023	10.10%	December 14, 2025	10.34	[ICRA]AA(SO)

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Not applicable

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Himanshi Doshi**

+91 22 6114 3410

[himanshi.doshi@icraindia.com](mailto:himanshi.doshi@icraindia.com)

**Mrugesh Trivedi**

+91 22 6114 3436

[mrugesh.trivedi@icraindia.com](mailto:mrugesh.trivedi@icraindia.com)

**Abhishek Jena**

+91 22 6114 3432

[abhishek.jena@icraindia.com](mailto:abhishek.jena@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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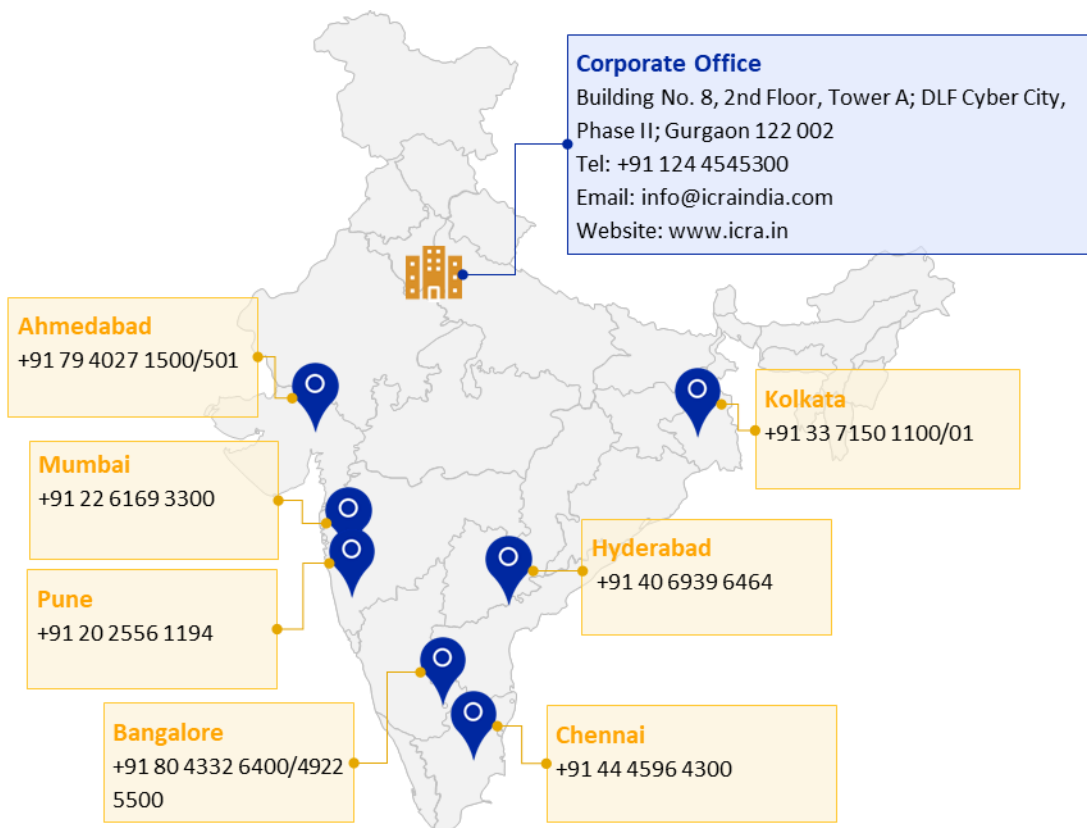
### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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