

February 03, 2021

Clix Finance India Private Limited: Provisional [ICRA]A-(SO) rating assigned to assignee payouts backed by healthcare finance loan receivables under Clix BOI DA PCG – Tranche II

Summary of rating action

Trust Name	Instrument*	Previous Rated Amount (Rs. crore)	Rating Action
Clix BOI DA PCG – Tranche II	Assignee payouts	40.26	Provisional [ICRA]A-(SO); assigned
Total		40.26	

*Instrument details are provided in Annexure-1

Rationale

ICRA has assigned a Provisional [ICRA]A-(SO) rating to the assignee payouts under a securitisation transaction originated by Clix Finance India Private Limited (Clix Finance). The assignee payouts are backed by a pool of Rs. 55.06 crore healthcare loan receivables (underlying pool principal of Rs. 44.73 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts as well as the credit enhancement (CE) available in the form of (i) a subordination of 10.00% of the initial pool principal, (ii) the entire excess interest spread (EIS) in the structure, and (iii) a cash collateral (CC) of 6.00% of the pool principal to be provided by the originator. The rating is also based on the integrity of the legal structure and is subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit strengths

- Availability of CE in the form of subordination, EIS and credit collateral
- No overdue contracts in the pool as on the cut-off date
- Average seasoning of the pool is high at ~18 months

Credit challenges

- High obligor concentration in the pool with top obligor's share at ~6% and top 10 obligors' share at ~40%
- Peaking of delinquencies yet to happen across vintages as most contracts have not completed a loan cycle
- Underlying contracts in the pool (~92%) as well as assignee payouts have floating rate, thereby leading to a basis risk in the structure

Description of key rating drivers highlighted above

The first line of support for the assignee payouts in the transaction is in the form of a subordination of 10.00% of the pool principal. The excess EIS available after meeting the promised and expected assignee payouts will be passed on to the originator every month. The underlying loans follow a monthly payment schedule. The promised monthly cash flow schedule comprises principal repayment to the extent of 90% of the billing principal and interest payment to the assignee payouts at the predetermined interest rate on the principal outstanding.

A CC of 6.00% of the initial pool principal (Rs. 2.68 crore), which is to be provided by the originator, acts as further CE in the transaction. In the event of a shortfall in meeting the promised assignee payouts during any month, the Assignee Representative will utilise the CC to meet the shortfall.

There were no overdues in the pool as on the cut-off date. The pool has a high obligor concentration with the top borrower having a share of ~6% and the top 10 borrowers having a share of ~40%. The contracts have a moderately high seasoning with a weighted average seasoning of ~18 months. As informed by Clix, the underlying loans have been originated prior to 1st July 2020, i.e. at least six months prior to cut-off date (31st December 2020). The minimum seasoning criteria of 6 months has been met in the pool assigned to the assignee. The pool has a greater share of high loan-to-value (LTV) contracts with ~82% of the contracts having an LTV of more than 70%. The pool comprises high ticket size contracts with ~76% of the contracts having a ticket size of more than Rs. 50 lakh. The assignee yield is linked to the 1-year RBLR of the assignee while the interest rate on the underlying loans is linked to Clix's PLR. This leads to a basis risk in the structure (pool yield and assignee yield may not always move in tandem).

Key rating assumptions

ICRA's analysis of concentrated pools involves modelling the inflows on the concentrated portion and the granular portion separately. In respect of the concentrated sub-pool, ICRA models the default and recovery on each exposure individually, wherein each borrower's probability of default depends on the rating and the tenor of the loan. Further, a certain loss given default (LGD) has been assumed by taking into account the repossession and sale of the underlying assets.

ICRA's analysis of the granular portion of the pool involves the simulation of potential delinquencies, losses (shortfall in principal collection during the 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 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 contracts.

After taking into account the above-mentioned factors for the current pool, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 7.50-8.50%, with certain variability around it.

Liquidity position: Strong

The liquidity of the rated transaction is expected to be strong, supported by the collections from the pool of contracts and the presence of a credit collateral amounting to 6.00% of the pool principal amount. Assuming a monthly collection efficiency of even 50% in the underlying pool of contracts in a stress scenario, the recommended level of CC would cover the shortfalls in the assignee payouts for a period of 5 months.

Rating sensitivities

Positive factors – The rating can be upgraded, provided there is a sustained strong collection performance (>95%) of the underlying pool contracts, resulting in an increase in the CE cover available.

Negative factors – Pressure on the rating could emerge if the collection performance of the underlying pool remains low on a sustained basis, post the moratorium, leading to higher-than-expected delinquency levels and CE utilisation levels.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Clix Finance India Private Limited (formerly known as GE Capital Services India) is a non-banking financial company (NBFC) incorporated in India on October 22, 1993 by the GE Group to carry on the business of consumer finance, auto leasing,

corporate lending and healthcare equipment financing for the Group's products in India. In September 2016, Clix Finance became a 100% subsidiary of Clix Capital Services Private Limited (formerly known as GE Money Financial Services Pvt. Ltd).

Clix Finance's business segment consists of three broad verticals. Healthcare equipment financing consists of loans granted to doctors/hospitals/laboratories against healthcare equipment, which acts as a collateral. The retail segment consists of personal loans/merchant loans sourced exclusively through payment platforms basis the defined credit criteria and auto lease loans for car lease facilities offered by corporates to their employees, wherein the lease rentals are paid from the employee's salary. The commercial segment consists of fully secure loans to companies with cash profits and no exposure to real estate or long-term infrastructure.

Key financial indicators

	FY2018	FY2019	FY2020
	Ind-AS	Ind-AS	Ind-AS
Total Revenues	206.97	326.27	346.97
Profit after Tax	6.56	100.5	5.96
Asset Under Management	1,525	2,100	1,409
% Gross NPAs (on-book)	-	0.29%	1.38%
% Net NPAs (on-book)	-	0.24%	0.94%

Source: Company; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
1	Clix BOI DA PCG – Tranche II	Assignee Payouts	40.26	40.26	Feb 03, 2021 Provisional [ICRA]A-(SO)	-	-
						-	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](https://www.icra.in)

Annexure-1: Instrument details

Issue Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Clix BOI DA PCG – Tranche II	Assignee Payouts	January 2021	9.20%	April 2026	40.26	Provisional [ICRA]A-(SO)

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.

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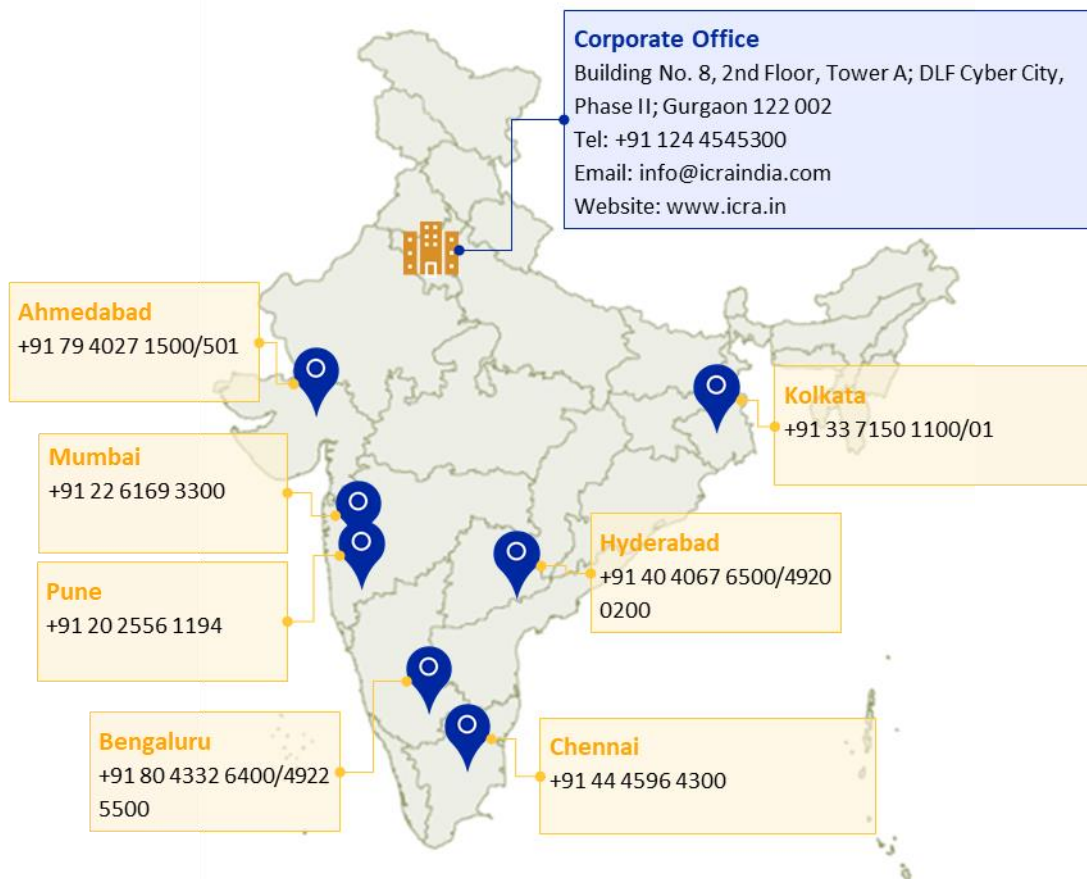


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