

May 27, 2022

Clix Capital Services Private Limited: Rating reaffirmed for PTCs under two business loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after previous rating exercise (Rs. crore)	Amount after Apr-22 payout (Rs. crore)	Rating Action
Northern Arc 2021 BL Gaia	PTC Series A1	33.16	NA	4.50	[ICRA]AAA(SO); Upgraded from [ICRA]AA(SO)
Northern Arc 2021 BL Hermes	PTC Series A1	52.80	NA	12.01	[ICRA]AA(SO); Reaffirmed

*Instrument details are provided in Annexure-1

Rationale

The pass-through certificates (PTCs) originated by Clix Capital Services Private Limited (Clix) are backed by business loan receivables. The rating actions takes into account the significant amortisation in the transactions, which has led to the build-up of the credit enhancement cover over the future PTC payouts. The rating upgrade for the Northern Arc 2021 BL Gaia pool also takes comfort from the cash collateral (CC) available in the transaction now fully covering the entire PTC payouts to be made.

Pool Performance summary

A summary of the performance of the pools till the March 2022 collection month (April 2022 payout) has been tabulated below.

Parameter	Northern Arc 2021 BL Gaia	Northern Arc 2021 BL Hermes
Months post securitisation	14	13
Pool amortisation (%)	86.03%	74.71%
PTC Series A1 amortisation (%)	86.43%	77.25%
Cumulative Collection efficiency	98.79%	97.31%
Cumulative prepayment rate	12.59%	15.96%
Average monthly prepayment rate	0.89%	1.23%
Loss-cum-30+ (% of initial pool principal) ¹	6.54%	8.99%
Loss-cum-90+ (% of initial pool principal) ²	4.30%	7.23%
Cumulative Cash Collateral (CC) utilisation	0.00%	0.00%
CC available (as % of balance pool)	>100%	79.10%
EIS over balance tenure (as % of balance pool)	3.58%	6.82%

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

Key rating drivers

Credit strengths

- Build-up in credit enhancement cover for future PTC payouts due to high amortisation of the PTCs in both the transactions. CC covers the entire PTC payouts in Northern Arc 2021 BL Gaia transaction.

Credit challenges

- Rise in delinquencies seen in Northern Arc 2021 BL Hermes in recent month.
- Pool's performance will remain exposed to any fresh disruptions that may arise due to Covid-19 pandemic

Description of key rating drivers highlighted above

The cumulative collection efficiency for both the pools is upwards of 96% in all months since origination. Any shortfall in the collections in the past has been absorbed by the excess interest spread available in the structure. Hence, there has been no cash collateral utilisation till date in any of the pools. Further, due to the significant amortisation of the PTC/pools, there has been a considerable build-up in the credit enhancement for the balance tenure of the PTC payouts. Hence, the credit enhancement available for meeting the balance payouts to the investors is sufficient for these transactions. Moreover, the CC covers the entire future PTC payouts in the Northern Arc 2021 BL Gaia transaction. While reaffirming the rating of the Northern Arc 2021 BL Hermes transaction, ICRA has taken note of the rise in delinquencies (loss cum 90 dpd of 7.23% of initial pool principal as of March 2022). However, the credit enhancement is expected to remain adequate. Going forward, any further rating action will be based on the performance of the pools and the availability of credit enhancement relative to ICRA's expectations. ICRA will continue to closely monitor the performance of these transactions.

Performance of past rated pools: ICRA has rated six business loan pools originated by Clix out of which four pools are live as on date. All the pools have reported satisfactory collection efficiency with no instance of CC utilisation in any of the transactions

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 contracts.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Northern Arc 2021 BL Gaia	4.0-5.0%	9.0-12.0% p.a.
2	Northern Arc 2021 BL Hermes	7.0-8.0%	9.0-12.0% p.a.

Liquidity position

For Northern Arc 2021 BL Gaia: Superior

The pool's cash flows and the available CE are expected to be highly comfortable to meet the promised payouts to the PTC Series A1 investors as the CC fully covers the future PTC payouts

For Northern Arc 2021 BL Hermes: Strong

As per the transaction structure, interest amount and pool principal is promised to the PTC Series A1 holders on a monthly basis. The cash collateral available is ~88% of the balance PTC principal as of the April 2022 payout month. Hence, collections from the pool and the credit collateral available are expected to be comfortable to meet the investor payouts.

Rating sensitivities

For Northern Arc 2021 BL Gaia

Positive factors – Not Applicable

Negative factors – The sustained weak collection performance of the underlying pools leading to higher-than-expected delinquency levels and credit enhancement utilisation levels, could lead to a rating downgrade.

For Northern Arc 2021 BL Hermes

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pools along with reduction in loss cum delinquency numbers on a sustained basis, leading to build-up of the credit enhancement cover for the remaining PTC pay-outs.

Negative factors – The sustained weak collection performance of the underlying pools leading to higher-than-expected delinquency levels and credit enhancement utilisation levels, could lead to a rating downgrade.

Analytical approach

The rating action is based on the performance of the pool till March 2022 (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 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 & 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 Clix³. 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.

³ GE Money was rechristened as Clix Capital Services Private Limited while GE Capital was rechristened as Clix Finance India Private Limited

Key financial indicators

Consolidated	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Provisional)
Total Income	506.44	494.76	663.89
Profit after Tax	20.75	3.97	-84.45
Total Managed Assets	2,539	3,027	3,540
Gross NPA%	1.10%	3.59%	4.9%
Net NPA%	0.52%	1.46%	1.47%

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 (FY2023)				Chronology of Rating History for the Past 3 Years		
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				May 27, 2022			
Northern Arc 2021 BL Gaia	PTC Series A1	33.16	4.50	[ICRA]AAA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

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				May 27, 2022			
Northern Arc 2021 BL Hermes	PTC Series A1	52.80	12.01	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Northern Arc 2021 BL Gaia	PTC Series A1	Simple
Northern Arc 2021 BL Hermes	PTC Series A1	Simple

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: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument Type	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
Northern Arc 2021 BL Gaia	PTC Series A1	January 2021	10.25%	June 2023	4.50	[ICRA]AAA(SO)
Northern Arc 2021 BL Hermes	PTC Series A1	March 2021	10.25%	September 2025	12.01	[ICRA]AA(SO)

*Scheduled maturity at transaction initiation; may change on account of prepayments

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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