

December 13, 2022

## Clix Capital Services Private Limited: Rating confirmed as final for PTCs backed by personal loan receivables issued by PL Hedwig Aug 2022

### Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
PL Hedwig Aug 2022	Series A PTCs	43.11	[ICRA]AA(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

In September 2022, ICRA had assigned a Provisional [ICRA]AA(SO) rating to Series A PTCs issued by PL Hedwig Aug 2022 trust. The pass-through certificates (PTCs) are backed by a pool of Rs. 61.01-crore personal loan receivables (underlying pool principal of Rs. 47.37 crore) originated by Clix Capital Services Private Limited (Clix). As the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

A summary of the pool's performance after the November 2022 payouts is shown in the table below:

Parameter	PL Hedwig Aug 2022
Months post securitisation	2
Pool amortisation	10.35%
Series A PTC Amortisation	11.37%
Cumulative prepayment rate %	2.59%
Cumulative collection efficiency	96.75%
Loss cum 0+ dpd	4.45%
Loss cum 30+ dpd	0.84%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

### Key rating drivers

#### Credit strengths

- Availability of CE in the form of EIS, over-collateralisation and CC
- Absence of overdue contracts as on pool cut-off date
- Low obligor concentration of the pool

#### Credit challenges

- Moderate geographical concentration with top 3 states accounting for around 59% of the pool
- Rise in delinquencies at portfolio level, especially the restructured book, due to the Covid-19 pandemic; however, improvement in collections seen, post second wave, for the non-restructured book
- Pool's performance will remain exposed to any fresh disruptions caused by the pandemic

### Description of key rating drivers highlighted above

The underlying loans follow a monthly payment schedule. As per the transaction structure, the monthly cash flow schedule comprises the promised interest payment to Series A PTCs at the predetermined interest rate on the principal outstanding. The principal payment to PTC investors on a monthly basis would follow an expected payout schedule, and the entire principal

is promised on the final maturity date. The extra interest spread (EIS) available after meeting the promised PTC payments shall flow back to the originator on every payout date.

The first line of support for Series A PTCs in the transaction is in the form of over-collateralisation of 9.00% of the pool principal. Additionally, the EIS available in the structure provides credit enhancement (CE) support. A cash collateral (CC) of 11.0% of the initial pool principal provided by Clix acts as further CE in the transaction. In the event of a shortfall in meeting the promised PTC payouts during any month, the Trustee 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 weighted average seasoning of ~10 months. It has moderate geographical concentration with the top 3 states (Haryana, Karnataka and Telangana) accounting for ~59% of the pool principal. The rating also factors in the rise in delinquencies in Clix's personal loan portfolio, post the pandemic, though some moderation was seen with the improvement in collections. While Clix's recent originations have exhibited a better performance, the track record remains limited post origination. The pool's performance would remain exposed to any fresh disruptions caused by the pandemic.

**Past rated pools:** ICRA has rated 14 other personal loan pools originated by Clix. Pools that have completed at least 3 months, post securitisation, have shown a cumulative collection efficiency of more than 90%. There has not been any CC utilisation in any of the transactions and the CE has built up in all the pools.

### Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a lognormal distribution. The mean and the coefficient of variation (CoV) are calibrated on the basis of the values observed in the analysis of the past performance of Clix's loan portfolio. Given the short track record of Clix in the personal loan business, ICRA has also taken into account the credit quality experience of other more established players and ICRA's expectation of the credit quality of personal loans. Clix's target borrower segment could be financially vulnerable as well as subject to various seasonality factors. Though the company resorts to legal recourse for some delinquent loans, this may not always be a feasible option, particularly given the small ticket size and the unsecured nature of the loans issued.

The resulting collections from the pool – after incorporating the impact of losses and prepayments as above – are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction. Various possible scenarios are simulated and the incidences of default to the investor as well as the extent of losses are measured. These are then compared with ICRA's internal benchmarks for the target rating.

For the current pool, after considering the above-mentioned factors regarding the asset class and after adjusting for key features like seasoning, overdues, ticket size, interest rate, bureau score, and geographical distribution, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 4.75-5.75%, with certain variability around it. The prepayment rate in the pool is estimated at 3.2-12.0% p.a.

### Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the Series A PTC holders on a monthly basis, while the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the Series A PTC investors.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if the collection performance of the underlying pool (monthly collection efficiency >95%) is strong on a sustained basis, leading to a build-up of the CE cover for the remaining payouts.

**Negative factors** – Pressure on the rating could emerge with a sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency and CE utilisation levels.

## Analytical approach

The rating action is based on the Trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

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 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 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 rebranded as Clix<sup>1</sup>. 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

	FY2021 (Audited)	FY2022 (Audited)	H1 FY2023 (Provisional)
Total Income	494.76	663.5	325.08
Profit after Tax	3.97	-93.91	10.07
Total Managed Assets	3,027	3,560	3,904
Gross NPA%	3.59%	4.95%	2.90%
Net NPA%	1.46%	1.42%	1.31%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; FY2022 onwards data pertains to merged entity

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Instrument	Current rating (FY2023)					Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					December 13, 2022	September 6, 2022			
1	PL Hedwig Aug 2022	Series A PTCs	43.11	43.11	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-

<sup>1</sup>GE Money was rechristened Clix Capital Services Private Limited while GE Capital was rechristened Clix Finance India Private Limited

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A PTCs	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 II: Instrument details

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
<b>PL Hedwig Aug 2022</b>	Series A PTC	September 2022	9.75%	February 2027	43.11	[ICRA]AA(SO)

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

Source: Company

## Annexure II: 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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For more information, visit [www.icra.in](http://www.icra.in)

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