February 10, 2023

Clix Capital Services Private Limited: Rating confirmed as final for PTCs backed by business loan receivables issued by BL Indigo 032

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
BL Indigo 032	Series A1 PTC	27.09	[ICRA]AA-(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

In October 2022, ICRA had assigned a Provisional [ICRA]AA-(SO) rating to Series A1 PTCs issued by BL Indigo 032 Trust. The pass-through certificates (PTCs) are backed by a pool of Rs. 35.75-crore business loan receivables (underlying pool principal of Rs. 29.44 crore) originated by Clix Capital Services Private Limited (Clix/originator). Since 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 as on January 2023 payouts is shown in the table below.

Parameter	BL Indigo 032
Months post securitisation	2
Pool amortisation	9.02%
Series A1 PTC Amortisation	9.98%
Cumulative prepayment rate %	1.12%
Cumulative collection efficiency	100.0%
Loss cum 0+ dpd	0.00%
Loss cum 30+ dpd	0.00%
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
- Pool consists of zero overdue and non-restructured contracts; furthermore, a predominant share of the pool (around 99%) has never been delinquent since origination while the balance has reported peak delinquency of under a month
- The pool has an average seasoning of 7.35 months as on the pool cut off date

Credit challenges

- High geographical concentration in the initial pool with top 3 states accounting for 66.81%
- Moderation in asset quality at portfolio level, post the onset of the Covid-19 pandemic; performance of recent originations (Q3 FY2021 onwards) has, however, been better though the track record remains limited
- Pool's performance will remain exposed to inherent credit risk associated with unsecured nature of the asset class; performance could remain exposed to macro-economic shocks/business disruptions

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 A1 PTC at the predetermined interest rate on the principal outstanding, while the entire principal is promised on the final maturity date (April 15, 2025). During the tenure of Series A1 PTC, the collections from the pool, after making the promised interest payouts, will be used to make the expected principal payouts (to Series A1 PTC). This principal payout is not promised (principal promised on maturity) and any shortfall in making the expected principal payment to Series A1 PTC would be carried forward to the subsequent payout. The EIS available, after meeting the PTC payments as per the waterfall mechanism, shall flow back to the originator on every payout date.

The first line of support for Series A1 PTC in the transaction is in the form of over-collateralisation of 8.00% of the pool principal. Additionally, the EIS available in the structure provides CE support. A CC of 10.0% 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 and the majority (99%) of the contracts in the pool has been regular since origination {demonstrated nil peak days past due (dpd)}. The pool consists of loans with a weighted average seasoning of 7.3 months. It has high geographical concentration with the top 3 states (Maharashtra, Delhi and Karnataka) accounting for 66.8% of the pool principal. The performance of Clix's business loan portfolio was adversely impacted by the pandemic, resulting in an increase in the delinquency levels. ICRA notes that a large part of the portfolio stress emanated from the old and/or restructured book while the performance of recent originations (Q3 FY2021 onwards) has been healthy. This notwithstanding, the track record remains limited and the pool's performance is expected to remain exposed to the underlying credit risks inherent in the asset class and macro-economic shocks/business disruptions.

Past rated pools' performance: ICRA has rated 16 business loan pools of Clix. Three of these pools have matured and reported a healthy performance with no instance of CC utilisation. The live pools, which have completed at least three payouts up to November 2022, have reported low delinquencies with a cumulative collection efficiency of more than 95% and nil CC utilisation.

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 business loan segment, ICRA has also considered the credit quality experience of other more established players and ICRA's expectation of the credit quality of unsecured business loans. The company'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 4.5-5.5%, with certain variability around it. The prepayment rate in the pool is estimated at 1.6-6.0% p.a. with mean of 4.00%.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the 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 A1 PTC investors.

Rating sensitivities

Positive factors – The rating could be upgraded based 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 CE.

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels 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	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 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[1]. 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; Data from FY2022 pertains to merged entity

[1] *GE Money was rechristened Clix Capital Services Private Limited while GE Capital was rechristened Clix Finance India Private Limited*

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	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				February 10, 2023	November 7, 2022	-	-	-
BL Indigo 032	Series A1 PTC	27.09	27.09	**[ICRA]AA-(SO)**	**Provisional [ICRA]AA-(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 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	Date of Issuance / Sanction	Coupon Rate^	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
BL Indigo 032	Series A1 PTC	October 2022	10.35%	April 2025	27.09	[ICRA]AA-(SO)

*^p.a.p.m.; *Scheduled PTC maturity date at transaction initiation; May change on account of prepayments*
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

Samriddhi Chowdhary
+91 22 6114 3462
samriddhi.chowdhary@icraindia.com

Mrugesh Trivedi
+91 22 6114 3436
mrugesh.trivedi@icraindia.com

Ritu Rita
+91 22 6114 3409
ritu.rita@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

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

info@icraindia.com

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

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches