February 16, 2023

Clix Capital Services Private Limited: Rating confirmed as final for PTCs backed by home loan and LAP receivables issued by Stellar Trust September 2022

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Stellar Trust September 2022	Series A PTC	28.30	[ICRA]A+(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

In October 2022, ICRA had assigned a Provisional [ICRA]A+(SO) rating to Series A PTCs issued by Stellar Trust September 2022 under a securitisation transaction originated by Clix Capital Services Private Limited (Clix Capital) and Clix Housing Finance Limited (Clix Housin). The pass-through certificates (PTCs) are backed by a pool of Rs. 73.61-crore home loan and loan against property (LAP) receivables (underlying pool principal of Rs. 31.45 crore[1]). 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 after the January 2023 payouts is shown in the table below.

Parameter	Stellar Trust September 2022
Months post securitisation	2
Pool amortisation	4.30%
Series A PTC amortisation	4.77%
Cumulative prepayment rate	3.67%
Cumulative collection efficiency	99.27%
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 credit enhancement (CE) in the form of excess interest spread (EIS) and credit collateral
- Absence of overdue contracts in the pool as on cut-off date
- Low obligor concentration in the pool as on cut-off date

Credit challenges

- Contracts in the pool have a floating rate of interest whereas the PTC yield is fixed, leading to interest rate risk in the structure
- Performance of the pool could remain exposed to macro-economic shocks/business disruptions

1 The pool comprises Rs. 22.7-crore home loans (originated by Clix Housing) and Rs. 40.0-crore LAP (Rs. 12.7 crore originated by Clix Capital and Rs. 27.3 crore by Clix Housing)

Description of key rating drivers highlighted above

The underlying loans follow a monthly repayment schedule. The monthly promised cash flows for Series A PTC comprise of half (50%) of the scheduled principal amount (i.e. 90% of billed pool principal) along with the interest payment at the predetermined interest rate on the principal outstanding. In the event of a shortfall in meeting the said promised payment, the Trustee shall utilise the CE to meet the same. The remaining amount of the billed pool principal shall be paid to the PTC investors on expected basis on each payout date and would be due and payable only on the final payout date/final maturity date (March 15, 2049). Any surplus EIS, after making the promised and expected payments to Series A PTCs, will flow back to the originator on a monthly basis.

The first line of support for Series A PTC is in the form of a subordination of 10.00% of the pool principal, further supported by the EIS. As a part of the transaction, the originators have provided a CC of 5% of the initial pool principal (Rs. 1.57 crore) and a CG of 5% of the pool principal (Rs. 1.57 crore). The CC and CG would be provided by both originators in proportion to their share in the pool, i.e. Rs. 1.49 crore by Clix Housing and Rs. 0.12 crore by Clix Capital, and both the CC and CG would be valid till the maturity of the PTCs.

If the collections received during the collection period preceding a payout date are insufficient to meet the promised payouts due to the PTCs, the shortfalls are to be met by using the CE provided by the originator which witnessed a shortfall in collections. Any further shortfall after that is to be met using the CE provided by the other originator, i.e. in the event of a shortfall of collections by Clix Capital, Clix Capital's CC would be utilised first and in case of further shortfall, its CG would be utilised. In case Clix Capital's CE is not sufficient to meet the shortfall or has been fully utilised, Clix Housing's CC and CG shall be utilised in the order mentioned above. The CC and CG will be available till the final maturity date of the pool (March 15, 2049).

As per the transaction terms, the trustee would have the option of replacing the servicer within 30 calendar days in the event of a downgrade in the servicer's rating to BBB. Furthermore, the collections by the servicer are to be transferred on a daily basis to the Collection and Payout Account (CPA) in case of a downgrade to BBB. In the event that the rating of the guarantor (or credit view if no public rating or long term or fixed scale is outstanding) at any time falls below a minimum rating of BBB, the originator (in its capacity as guarantor) shall inform the trustee within 2 days and the seller shall, for securing its obligations in terms of this guarantee, place the entire guarantee amount, as CC, in an account opened in the name of the guarantor (lien marked in favour of the trustee for the benefit of the investor) with a bank enjoying a minimum rating of AA or an equivalent rating from the rating agency.

The current pool was originated by Clix Housing (92.8% share in the pool principal) and Clix Capital (7.2% share). The pool consists of a high share of LAP contracts in the ratio of 49:51. There were no overdues in the pool as on the cut-off date and ~92% had nil peak days past due (dpd). None of the contracts in pool exhibited more than 30 days of peak dpd. The pool consists of loans with a weighted average seasoning of 14.0 months. It had high geographical concentration with the top 3 states (Delhi, Haryana and Gujarat) accounting for 79.5% of the pool principal. With the pool comprising floating rate loans, the transaction remans exposed to interest rate basis risk, which means any downward movement in the benchmark yield will reduce the EIS available in the transaction. The pool's performance would remain exposed to any macro-economic shocks/business disruptions.

Key rating assumptions

ICRA's cash flow modelling for rating mortgage-backed securitisation (MBS) 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 the originator's loan portfolio. ICRA notes originator's credit quality experience and ICRA's expectation of the credit quality for the asset classes involved. The resulting collections from the pool – after incorporating the impact of losses and prepayments as above – are considered 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 adjusting for key features like peak dpd, state, internal rate of return (IRR), bureau score, ticket size, seasoning and tenure separately for each asset class in the pool, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 5.00-6.00%, with certain variability around it. The annual prepayment rate for the underlying pool is expected to be in the range of 6.0-20.0% with a mean of 16%.

Liquidity position: Strong

As per the transaction structure, the cash collections and the CC available in the transaction are expected to be comfortable to meet the investor payouts. Assuming a monthly collection efficiency of even 50% in the underlying pool of contracts in a stress scenario, the CC would cover the shortfalls in the expected PTC payouts for a period of 18 months.

Rating sensitivities

Positive factors – The rating could be upgraded on the healthy performance of the underlying pool, coupled with strong collections, and an improvement in the credit profile of the originators.

Negative factors – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and CE utilisation levels or a deterioration in the credit profile of the originators could lead to a rating downgrade.

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 originator

Clix Housing Finance Limited is registered with National Housing Bank (NHB) as a housing finance company. It was incorporated on December 2, 2016 and commenced operations in February 2018. Clix Housing is a contemporary lending firm, which primarily caters to the affordable housing market segment using technology to make loans simpler, faster and more accessible to customers. With a focus on the urban outskirts of metro cities and Tier 2/Tier 3 cities, basis supply, it currently operates from two prime locations – Delhi/NCR and Jaipur. The company's assets under management (AUM), as of March 2022, stood at Rs. 197.71 crore. Clix Housing is a wholly-owned subsidiary of Clix Capital Services Private Limited.

Clix Capital Services Private Limited 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 Clix.

In April 2022, Clix Finance India Private Limited (CFIPL; erstwhile GE Capital) was merged with Clix Capital. Following the merger, Clix Capital's offering portfolio comprises MSME and consumer lending along with healthcare and equipment finance and digital lending (onboarded form CFIPL). Additionally, Clix Housing, a wholly-owned subsidiary of Clix Capital, is primarily engaged in 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*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th rowspan="3">Trust Name</th><th colspan="5">Current Rating (FY2023)</th><th colspan="3">Chronology of Rating History for the Past 3 Years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Amount Rated (Rs. crore)</th><th rowspan="2">Amount Outstanding (Rs. crore)</th><th colspan="2">Date & Rating in FY2023</th><th>Date & Rating in FY2022</th><th>Date & Rating in FY2021</th><th>Date & Rating in FY2020</th></tr>
<tr><th>February 16, 2023</th><th>October 28, 2022</th><th>-</th><th>-</th><th>-</th></tr>
<tr><td>Stellar Trust September 2022</td><td>Series A PTC</td><td>28.30</td><td>28.30</td><td>[ICRA]A+(SO)</td><td>Provisional [ICRA]A+(SO)</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A 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
Stellar Trust September 2022	Series A PTC	October 2022	11.10%	March 2049	28.30	[ICRA]A+(SO)

*^p.a.p.m.; * 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

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

L Shivakumar
+91 22 6169 3304
shivakumar@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