

April 17, 2023

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

Summary of rating action

| Trust Name | Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|---------------------|--------------|----------------------------------|---|
| PL Dittany Oct 2022 | Series A PTC | 27.44 | [ICRA]A+(SO); provisional rating confirmed as final |

*Instrument details are provided in Annexure I

Rationale

In November 2022, ICRA had assigned a Provisional [ICRA]A+(SO) rating to Series A PTC issued by PL Dittany Oct 2022 Trust. The pass-through certificates (PTCs) are backed by a pool of Rs. 30.15-crore (pool principal; receivables outstanding of Rs. 39.35 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 February 2023 payouts is shown in the table below.

| Parameter | PL Dittany Oct 2022 |
|--|---------------------|
| Months post securitisation | 3 |
| Pool amortisation | 15.36% |
| Series A PTC Amortisation | 19.83% |
| Cumulative prepayment rate % | 5.68% |
| Cumulative collection efficiency | 99.04% |
| Loss cum 0+ dpd | 1.92% |
| Loss cum 30+ dpd | 0.58% |
| 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 in the pool

Credit challenges

- High geographical concentration with top 3 states accounting for over 60% of the initial pool principal
- Moderation in asset quality at portfolio level, post 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 risks associated with the unsecured nature of the asset class; macro-economic shocks/business disruptions, if any, could have a further bearing on the performance

Description of key rating drivers highlighted above

The underlying loans follow a monthly payment schedule. The monthly cash flow schedule comprises the promised interest payment to Series A PTC at the predetermined interest rate on the principal outstanding and the scheduled principal payment (to the extent of 91.00% of the pool billing amount). The balance principal (9.00% of the pool billing amount) is expected to be

paid monthly but is not promised; any shortfall in making the expected principal payment to Series A PTC would be carried forward to the subsequent payout. All the collections from the pool, after making the promised payouts to Series A PTC, will be used for the prepayment of the principal to Series A PTC. Hence, any excess amount shall be utilised for the purpose of prepaying the principal amount due on Series A PTC.

The first line of support for Series A PTC 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 CE support. A CC of 6.50% 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 ~7 months as on cut-off date. It has high geographical concentration with the top 3 states (Haryana, Maharashtra and Telangana) accounting for ~61% of the initial pool's principal. The company had witnessed a moderation in the asset quality at the portfolio level, post the onset of pandemic, resulting in a build-up of delinquencies. ICRA notes that a large part of the portfolio stress in the personal loan segment has emanated from the old and/or restructured book. Furthermore, the recent originations (post August 2020) have demonstrated a healthy performance, albeit with a limited track record. 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, so far, rated 17 PL pools originated by Clix. Though collections were impacted for a few months due to the pandemic, live pools, which have completed 3 payouts as of the February 2023 payout date, have reported a healthy cumulative collection efficiency of more than 95%. There has not been any CC utilisation in any of the transactions till date and the CE has built up in all the live 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 log-normal 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 considered 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 5.0-6.0%, with certain variability around it. The prepayment rate in the pool is estimated at 3.2-12.0% p.a. with a mean of 8.00%.

Liquidity position: Strong

The liquidity of the rated transaction is expected to be strong, supported by the healthy collections expected from the pool of contracts and the presence of a CC amounting to 6.5% of the pool principal amount. Assuming a monthly collection efficiency of only 50% in the underlying pool of contracts in a stress scenario, the CC would cover the shortfall in the scheduled PTC payouts for a period of two months.

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 Clix¹. 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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

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

Rating history for past three years

| Trust Name | Current Rating (FY2024) | | | | Chronology of Rating History for the Past 3 Years | | |
|---------------------|-------------------------|--------------------------|--------------------------------|----------------|---|-------------------------|-------------------------|
| | Instrument | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating | Date & Rating in FY2023 | Date & Rating in FY2022 | Date & Rating in FY2021 |
| | | | | April 17, 2023 | November 10, 2022 | - | - |
| PL Dittany Oct 2022 | Series A PTC | 27.44 | 27.44 | [ICRA]A+(SO) | Provisional [ICRA]A+(SO) | - | - |

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 |
|---------------------|--------------|-----------------------------|--------------------------|----------------|--------------------------|----------------|
| PL Dittany Oct 2022 | Series A PTC | November 2022 | 11.00% | April 2027 | 27.44 | [ICRA]A+(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

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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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