April 24, 2023

Clix Capital Services Private Limited: Ratings confirmed as final for PTCs backed by personal loan receivables issued by PL Niffler Nov 2022

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
PL Niffler Nov 2022	Series A1(a)	15.00	[ICRA]AA+(SO); provisional rating confirmed as final
	Series A1(b)	1.67	[ICRA]A+(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

In December 2022, ICRA had assigned Provisional [ICRA]AA+(SO) rating to Series A1(a) PTCs and Provisional [ICRA]A+(SO) rating to Series A1(b) PTCs issued by PL Niffler Nov 2022 trust. The pass-through certificates (PTCs) are backed by a pool of Rs. 22.70-crore personal loan receivables (underlying pool principal of Rs. 18.51 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 March 2023 payouts is shown in the table below:

Parameter	PL Niffler Nov 2022
Months post securitisation	3
Pool amortisation	20.68%
PTC Amortisation Series A1(a)	22.98%
PTC Amortisation Series A1(b)	0.00%
Cumulative prepayment rate %	8.30%
Cumulative collection efficiency	98.37%
Loss cum 0+ dpd	3.26%
Loss cum 30+ dpd	1.30%
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, principal subordination and CC
- No overdue contracts in the pool; furthermore, around 96% of the contracts in the pool have never been delinquent since origination as on cut-off date

Credit challenges

- High geographical concentration with top 3 states accounting for over 61% 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 been better though track record remains limited
- Pool's performance will remain exposed to risks inherent credit risk 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. As per the transaction structure, the monthly cash flow schedule comprises the promised interest payment to both series of Series A1 PTCs {i.e., Series A1(a) and Series A1(b)} on pari-passu basis at the predetermined interest rate on the principal outstanding. The principal repayment for both PTC tranches is promised on their respective maturity dates, i.e., June 16, 2025 for Series A1(a) and June 17, 2025 for Series A1(b). During the tenure of PTC Series A1(a), the collections from the pool, after making the promised interest payouts, will be used to make the expected principal payouts to PTC Series A1(a). This principal payout is not promised and any shortfall in making the expected principal payment to PTC Series A1(a) would be carried forward to the subsequent payouts. After PTC Series A1(a) has been fully redeemed, collections from the pool will be used to make the expected principal payouts to PTC Series A1(b). The EIS available, after meeting the promised PTC payments, shall flow back to the Originator on every payout date.

The first line of support for PTC Series in the transaction is in the form of a subordination of 19.0% and 10.0% of the pool principal for Series A1(a) and Series A1(b), respectively. Further, credit support is available in the form of an EIS of 16.34% and 14.89% for Series A1(a) and Series A1(b), respectively. A CC of 5.0% of the initial pool principal provided by Clix acts as a further CE in the transaction.

There were no overdues in the pool as on the cut-off date. The pool has a weighted average seasoning of 5.7 months. It has high geographical concentration with the top 3 states (Haryana, Maharashtra and Telangana) accounting for more than 61% of the pool's principal. The company had witnessed a moderation in the asset quality at the portfolio level, post the onset of the 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, but with a limited track record. The pool's performance will remain exposed to the inherent credit risk associated with the unsecured nature of the asset class. Macro-economic shocks/business disruptions could have a further bearing on the performance.

Past rated pools: Till date, ICRA has rated 17 PL pools originated by Clix. Although collections were impacted for a few months due to the pandemic, the live pools that have completed 3 payouts as of the March 2023 payout date, have reported a healthy cumulative collection efficiency of more than 96%. 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 of the 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 3.2-12.0% p.a. with a mean of 8.00%.

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 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	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)	FY2023 (Provisional)
Total Income	494.76	663.5	703
Profit after Tax	3.97	-93.91	45.00
Total Managed Assets	3,027	3,560	4,273
Gross NPA%	3.59%	4.95%	2.40%
Net NPA%	1.46%	1.42%	1.50%

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

Sr. No.	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					April 24, 2023	January 02, 2023	-	-
1	PL Niffler Nov 2022	Series A1(a)	15.00	15.00	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-
		Series A1(b)	1.67	1.67	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1(a)	Moderately Complex
Series A1(b)	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 (p.a.p.m.)	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
PL Niffler Nov 2022	Series A1(a)	December 2022	10.45%	June 2025	15.00	[ICRA]AA+(SO)
	Series A1(b)	December 2022	10.95%	June 2025	1.67	[ICRA]A+(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.

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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