

May 15, 2023

Clix Capital Services Private Limited: Rating confirmed as final for PTCs backed by merchant loan receivables issued by Kishtwar 2023

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Kishtwar 2023	Series A PTC	39.66	[ICRA]AA(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In March 2023, ICRA had assigned a Provisional [ICRA]AA(SO) rating to Series A PTCs issued by Kishtwar 2023 Trust. The pass-through certificates (PTCs) are backed by a pool of Rs. 53.65-crore merchant loan receivables (underlying pool principal of Rs. 44.07 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 after the April 2023 payouts is shown in the table below.

Parameter	Kishtwar 2023
Months post securitisation	1
Pool amortisation	3.0%
Series A PTC amortisation	3.4%
Cumulative prepayment rate	0.0%
Cumulative collection efficiency	100.0%
Loss-cum-0+ dpd	0.0%
Loss-cum-30+ dpd	0.0%
Loss-cum-90+ dpd	0.0%
Cumulative cash collateral utilisation	0.0%

Key rating drivers

Credit strengths

- Availability of credit enhancement (CE) in the form of excess interest spread (EIS), over-collateralisation and cash collateral (CC)
- Absence of overdue contracts as on cut-off date
- All contracts in the pool have bureau score of 700 and above at the time of onboarding.

Credit challenges

- High delinquencies seen in the portfolio in past, limited vintages post underwriting revision undertaken after Covid-19 pandemic.
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; Performance of the pool could remain exposed to macro-economic shocks / business disruptions, if any.

Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payments to Series A PTCs at the predetermined interest rate on the principal outstanding. The principal repayment to Series A PTCs is promised on the last payout date (July 2024). The collections from the pool, after making the promised interest payouts to Series A PTCs, will be used to make the expected principal payouts to Series A PTCs, though this is not promised and any shortfall in making the same would be carried forward to the subsequent payout. Any surplus EIS after meeting the promised payouts would flow back to the originator. Also, in the event of a shortfall in meeting the promised PTC payouts during any month, the Trustee will utilise the CC to meet the same. Further, in case of excess collections in a month – after meeting the promised PTC payouts – the same would first be used to top up the CC to the extent of past utilisation.

Support for Series A PTCs in the transaction is in the form of EIS (16.02% of initial pool principal) and OC of 10.0% of the pool principal. Further, a CC of 10.0% of the initial pool principal (i.e. Rs. 4.41 crore) to be provided by Clix act will act as CE in the transaction.

The current pool consists of receivables from Clix's MLs under its lending programme with the partner. There were no overdues in the pool as on the cut-off date. The pool has low obligor concentration with the top 10 borrowers having a share of 0.98%. The contracts in the pool have low seasoning with a weighted average seasoning of 3.6 months. The company had reported high delinquencies for this asset class during the early stages of the product, though there was an improvement in the second half of the previous fiscal under the tighter lending regime. The asset quality, however, remains moderate while the portfolio seasoning remains limited. Also, the performance of the pool would remain exposed to the inherent credit risks associated with the unsecured nature of the asset class.

Past rated pools: ICRA has rated 13 PTC transactions backed by ML receivables of which six have matured. The performance of the live pools, post the March 2023 payouts, has been healthy with a cumulative collection efficiency of ~96% and above with nil CC utilisation and nil 180+ days past due (dpd).

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 based on the values observed in the analysis of the past performance of Clix's ML portfolio. ICRA has also considered Clix's credit quality experience and ICRA's expectation of the credit quality of ML portfolios. Overall, Clix's ML target borrower segment could be financially vulnerable as well as subject to various seasonality factors.

The resulting collections from the pool – after incorporating the impact of losses and prepayments – 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 transaction, after adjusting for key features like seasoning and risk decile separately in the pool, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 4.50-5.50%, with certain variability around it. The prepayment rate for the underlying pool is estimated at 1.5-4.5% per annum.

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 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 – Pressure on the rating could emerge on the sustained weak collection performance (monthly collection efficiency <90%) of the underlying pool 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 originator

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. In April 2022, Clix Finance India Private Limited (CFIPL; erstwhile GE Capital) was merged with Clix. Following the merger, Clix's offering 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	494.8	663.5	703
Profit after tax	3.9	-93.9	45
Total managed assets	3,027	3,650	4,373
Gross NPA	3.6%	4.9%	2.4%
Net NPA	1.5%	1.4%	1.5%

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

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
				May 15, 2023	March 29, 2023	-	-
Kishtwar 2023	Series A PTC	39.66	39.66	[ICRA]AA(SO)	Provisional [ICRA]AA(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
Kishtwar 2023	Series A PTC	March 2023	9.65%	July 2024	39.66	[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.

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.

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