

May 29, 2023

Clix Capital Services Private Limited: Rating upgraded for PTCs issued under personal loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Apr-23 Payout (Rs. crore)	Rating Action
Northern Arc 2022 PL Nebuchadnezzar	PTC Series A	56.12	NA	19.87	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificate (PTC) originated by Clix Capital Services Private Limited (Clix) is backed by a pool of personal loan (PL) receivables. The rating has been upgraded on account of the high amortisation, which has led to the build-up of the credit enhancement (CE) cover over the future PTC payouts. The rating draws comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the April 2023 payout month.

Pool performance summary

A summary of the performance of the pool till the March 2023 collection month (April 2023 payout) is tabulated below.

Parameter	Northern Arc 2022 PL Nebuchadnezzar
Months post securitisation	15
Pool amortisation	58.58%
PTC Series A amortisation	64.59%
Cumulative collection efficiency	97.12%
Cumulative prepayment rate	21.37%
Loss-cum-30+ (% of initial pool principal) ¹	3.94%
Loss-cum-90+ (% of initial pool principal) ²	3.02%
Cumulative CC utilisation	0.00%
CC available (as % of balance pool)	24.14%
EIS over balance tenure (as % of balance pool)	22.48%
Principal subordination (% of balance pool) PTC A1	14.39%
Breakeven collection efficiency	48.41%

Key rating drivers

Credit strengths

- Build-up in CE cover for future PTC payouts due to high amortisation of PTCs

Credit challenges

- Rise in delinquencies seen in harder buckets in recent months
- Performance of the pool could remain exposed to macro-economic shocks/business disruptions

Description of key rating drivers highlighted above

¹ POS on contracts aged 30+ dpd + Overdues / Initial POS on the pool

² POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

The cumulative collection efficiency of the pool has been above 97% in all the months since origination. The loss-cum-90+ days past due (dpd) has been reported at around 3% as of the March 2023 collection month, which is below the expected mean loss assumed for the balance tenure of the pools. Any shortfall in collections in the past has been absorbed by the subordination and/or excess interest spread available in the structure. Hence, there has been no CC utilisation till date in the pool. Further, due to the significant amortisation of the PTC/pool, there has been considerable build-up in the CE for the balance tenure of the PTC payouts. Hence, the CE available for meeting the balance payouts to the investors is sufficient to upgrade the rating for this transaction. ICRA will continue to closely monitor the performance of this transaction. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations.

Performance of past rated pools: ICRA has rated 23 PL pools originated by Clix, of which 18 were live as of the April 2023 payout month. Though collections were impacted for a few months due to the Covid-19 pandemic, live pools, which have completed 3 payouts as of the April 2023 payout date, have reported a healthy cumulative collection efficiency of more than 94%. 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 the surveillance of asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Northern Arc 2022 PL Nebuchadnezzar	4.0-5.0%	3.2-12.0% p.a.

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 collections 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 on the strong collection performance of the underlying pool along with a sustained reduction in the loss-cum-delinquency numbers, leading to the build-up of the CE cover for the remaining PTC payouts. The rating is likely to be upgraded once the CC covers the future PTC payouts.

Negative factors – Pressure on the rating could emerge on the sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and CE utilisation levels.

Analytical approach

The rating action is based on the performance of the pool till March 2023 (collection month), the present delinquency profile of the pool, the CE available in the transaction, and the performance expected over the balance tenure of the pool.

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 & 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 as Clix. 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

Consolidated	FY2020	FY2021	FY2022	FY2023
Total income	506.44	494.76	663.50	703.00
Profit after tax	20.75	3.97	-93.91	45.0
Total managed assets	2,539	3,027	3,650	4,373
Gross NPA	1.10%	3.59%	5.00%	2.4%
Net NPA	0.52%	1.46%	1.40%	1.5%

Source: Company data, ICRA Research; Amount in Rs. crore; *Provisional financials

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	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				May 29, 2023	May 19, 2022	February 07, 2022	-
Northern Arc 2022 PL Nebuchadnezzar	PTC Series A	56.12	19.87	[ICRA]AA+(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Northern Arc 2022 PL Nebuchadnezzar	PTC Series A	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](https://www.icra.in)

Annexure I: Instrument details

Trust Name	Instrument Type	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Rating
Northern Arc 2022 PL Nebuchadnezzar	PTC Series A	January 2022	9.50%	June 2026	19.87	[ICRA]AA+(SO)

*Scheduled maturity 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.

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