

June 23, 2023

Clix Capital Services Private Limited: Ratings upgraded for PTCs issued under two business loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after May-22 Payout (Rs. crore)	Rating Action
BL Indigo 012	Series A1 PTC	30.60	NA	2.67	[ICRA]AAA(SO); Upgraded from [ICRA]AA-(SO)
BL Indigo 013	Series A1 PTC	18.57	NA	4.36	[ICRA]AA+(SO); Upgraded from [ICRA]AA-(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) originated by Clix Capital Services Private Limited (Clix) are backed by business loan receivables. The ratings have 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 ratings draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection levels observed in the pools till the May 2023 payout month.

Pool performance summary

A summary of the performance of the pools till the April 2023 collection month (May 2023 payout) has been tabulated below.

Parameter	BL Indigo 012	BL Indigo 013
Months post securitisation	15	15
Pool amortisation	83.96%	69.62%
Series A1 PTC amortisation	91.26%	77.25%
Cumulative collection efficiency	98.76%	98.83%
Cumulative prepayment rate	19.29%	19.94%
Loss-cum-30+ (% of initial pool principal) ¹	0.00%	2.49%
Loss-cum-90+ (% of initial pool principal) ²	0.00%	0.86%
Cumulative CC utilisation	0.00%	0.00%
CC available (as % of balance pool)	62.35%	32.91%
EIS over balance tenure (as % of balance pool)	7.05%	7.95%
Principal subordination (% of balance pool) PTC A1	49.89%	29.61%
Breakeven collection efficiency	<0%	36.29%

Key rating drivers

Credit strengths

BL Indigo 012

- Substantial amortisation of the PTCs, resulting in high CE build-up for future PTC payouts
- Cash collateral (CC) covers the entire future PTC payouts under the transaction

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

BL Indigo 013

- Substantial amortisation of the PTCs, resulting in high CE build-up for future PTC payouts
- Healthy collections observed in the pool

Credit challenges

BL Indigo 012 and BL Indigo 013

- Exposed to inherent credit risk associated with the unsecured nature of the asset class; pools' performance would remain exposed to any macro-economic shocks/business disruptions

Description of key rating drivers highlighted above

The cumulative collection efficiency for both pools has been reported above 98% in all the months since origination. The loss-cum-90+ days past due (dpd) for both pools was sub-2.0% till the April 2023 collection month. 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 both pools. Further, due to the significant amortisation of the PTC/pools, there has been considerable build-up in the CE for the balance tenure of the PTC payouts. The CE available for meeting the balance payouts to the investors is sufficient to upgrade the ratings for these transactions. ICRA will continue to closely monitor the performance of these transactions. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations.

Performance of past rated pools: ICRA has previously rated 17 business loan (BL) pools, originated by Clix, of which 10 were live as of the May 2023 payout month. Though collections in the pools were impacted for a few months due to the Covid-19 pandemic, the performance of live pools (which have completed at least 3 payouts), as of the May 2023 payout, has been strong with a collection efficiency of more than 97%. There has not been any CC utilisation in any of the transactions till date and the CE is building 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	BL Indigo 013	1.25-2.25%	3.2-12.0% p.a.

Liquidity position

BL Indigo 012: Superior

The liquidity of the rated transaction is expected to be superior as the CC covers the future payouts entirely.

BL Indigo 013: 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

BL Indigo 012

Positive factors – Not applicable

Negative factors – The rating is unlikely to be downgraded as the CC covers the entire future PTC payouts.

BL Indigo 013

Positive factors – The rating could be upgraded if the amortisation of the loan facilities leads to the build-up of the CE cover over future payments.

Negative factors – The sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and higher CE utilisation levels, would result in a rating downgrade.

Analytical approach

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

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 Clix³. 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
Total managed assets	3,027	3,560	4,373
Gross NPA	3.59%	4.95%	2.4%
Net NPA	1.46%	1.42%	1.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Data from FY2022 pertains to merged entity

³ 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

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	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				June 23, 2023	June 24, 2022	February 28, 2022	-
BL Indigo 012	Series A1 PTC	30.60	2.67	[ICRA]AAA(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-

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	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				June 23, 2023	June 24, 2022	March 2, 2022	-
BL Indigo 013	Series A1 PTC	18.57	4.36	[ICRA]AA+(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
BL Indigo 012	Series A1 PTC	Moderately Complex
BL Indigo 013	Series A1 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 Type	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating and Outlook
BL Indigo 012	Series A1 PTC	Feb 2022	9.30%	August 2024	2.67	[ICRA]AAA(SO)
BL Indigo 013	Series A1 PTC	Feb 2022	9.75%	December 2024	4.36	[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

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22-6114 3470

sachin.joglekar@icraindia.com

Himanshi Doshi

+91 22 6114 3410

himanshi.doshi@icraindia.com

Mrugesh Trivedi

+91 22 6114 3436

mrugesh.trivedi@icraindia.com

Advait Athavale

+91 22 6114 433

advait.athavale@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 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:

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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



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