

August 04, 2023

Clix Capital Services Private Limited: Rating confirmed as final for PTCs backed by personal loan receivables issued by PL Carnation 2023

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
PL Carnation 2023	Series A1 PTC	33.36	[ICRA]AA-(SO); provisional rating confirmed as final
	Equity tranche PTC	2.27	[ICRA]A-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In May 2023, ICRA had assigned a Provisional [ICRA]AA-(SO) rating to Series A1 PTCs and Provisional [ICRA]A-(SO) rating to Equity Tranche issued by PL Carnation 2023. The pass-through certificates (PTCs) are backed by a pool of Rs. 37.91 crore (pool principal; receivables of Rs. 50.27 crore) of personal loan (PL) receivables 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 July 2023 payouts is shown in the table below.

Parameter	PL Carnation 2023
Months post securitisation	3
Pool amortisation	12.44%
Series A1 PTC amortisation	14.14%
Cumulative prepayment rate	4.09%
Cumulative collection efficiency	96.06%
Loss-cum-0+ dpd	2.96%
Loss-cum-30+ dpd	0.00%
Loss-cum-90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of EIS, subordination and CC
- Pool consists of nil overdue contracts and ~93% of the contracts have never been delinquent since origination as on cut off date
- Pool has an average seasoning of ~10 months with pre-securitisation amortisation of ~17% as on cut off date

Credit challenges

- Moderate geographical concentration in the initial pool with top three states attributing to ~39% of the initial pool principal
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; Performance of the pool could also be affected by macro-economic shocks / business disruptions, if any.

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 Series A1 PTCs at the predetermined interest rate on the principal outstanding.

The principal repayment for the PTCs are promised on the final maturity date, i.e., September 15, 2027. During the tenure of Series A1 PTC, the collections from the pool, after making the promised interest payouts, will be used to make the expected principal payouts to Series A1 PTC. This principal payout is not promised and any shortfall in making the expected principal payment to Series A1 PTC would be carried forward to the subsequent payouts. After Series A1 PTC has been fully redeemed, collections from the pool will be used to redeem the equity tranche PTCs. The EIS available, after meeting the promised PTC payments, shall flow back to the originator on every payout date.

The PTCs in the transaction are supported by subordination in the form of an equity tranche of 6.00% and OC of 6.00% of the pool principal for Series A1 PTC and 6.00% for the equity tranche. Credit support is available in the form of an EIS of 21.50% for Series A1 PTC and the equity tranche. A CC of 6.00% of the initial pool principal provided by Clix acts as 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 ~10 months. It has moderate geographical concentration with the top 3 states (Maharashtra, Tamil Nadu and Karnataka) accounting for ~39% of the principal. The company had witnessed a moderation in the asset quality at the portfolio level, post the onset of the Covid-19 pandemic, resulting in a build-up of delinquencies. ICRA notes that a large part of the portfolio stress in the PL 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: ICRA has, so far, rated 25 PL pools originated by Clix of which 2 were not placed and 3 have matured. Though collections were impacted for a few months due to the pandemic, live pools, which have completed 3 payouts as of the March 2023 payout date, have reported a healthy cumulative collection efficiency above 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 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 PL business, ICRA has also considered the credit quality experience of other more established players and ICRA's expectation of the credit quality of PLs. 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 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

As per the transaction structure, only the interest amount is promised to the Series A1 PTC holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction to the Series A1 PTC and equity tranche PTC investors. The cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the Series A1 PTC and equity tranche PTC investors.

Rating sensitivities

Positive factors – The rating could be upgraded based on sustained strong collection performance of the underlying pool 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 credit enhancements.

Negative factors – The rating could be downgraded based on sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher-than-expected delinquency levels and credit enhancement 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 & 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

	FY2021 (Audited)	FY2022 (Audited)	FY2023 (Audited)
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
				August 04, 2023	May 04, 2023			
PL Carnation 2023	Series A1 PTC	33.36	33.36	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-	-
	Equity tranche PTC	2.27	2.27	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	Moderately Complex
Equity tranche 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 Carnation 2023	Series A1 PTC	April 2023	10.40%	September 2027	33.36	[ICRA]AA-(SO)
	Equity tranche PTC	April 2023	NA	September 2027	2.27	[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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