

September 28, 2023

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

### Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Mockingbird 2023	Series A1 PTC	38.89	[ICRA]AA(SO); provisional rating confirmed as final
	Series A2 PTC	1.11	[ICRA]AA-(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

In July 2023, ICRA had assigned a Provisional [ICRA]AA(SO) rating to Series A1 PTCs and a Provisional [ICRA]AA-(SO) rating to the Series A2 PTCs issued by Mockingbird 2023 Trust. The pass-through certificates (PTCs) are backed by a pool of Rs. 53.42 crore merchant loan receivables (underlying pool principal of Rs. 44.45 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 August 2023 payouts is shown in the table below.

Parameter	Mockingbird 2023
Months post securitisation	2
Pool amortisation	36.46%
PTC Amortisation: Series A1	45.00%
Series A2	0.00%
Average monthly prepayment rate	27.78%
Cumulative collection efficiency	99.06%
Loss-cum-0+ dpd	6.66%
Loss-cum-30+ dpd	0.48%
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 overcollateralisation, EIS and cash collateral.
- Absence of overdue contracts as on cut-off date.
- More than 88% of contracts in the initial pool have bureau score of atleast 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 promised cash flow schedule for Series A1 PTC on a monthly basis will comprise the interest (at the predetermined yield) on the outstanding PTC principal on each payout date and the entire principal on the final maturity date. Payouts for Series A2 PTC are subordinate to Series A1 PTC. The interest payouts to Series A2 PTC will be on expected principal basis till Series A1 PTC has been fully redeemed. The final maturity date for both PTCs is September 17, 2024.

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 (till the extent of pool principal billing) to Series A1 PTC. However, 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 payout. Once Series A1 PTC has been fully redeemed, the collections from the pool will be used to make the expected principal payouts to Series A2 PTC. As in the case of the principal payout to Series A1 PTC, the principal payout on Series A2 PTC is not promised till the respective final maturity date mentioned above and any shortfall in making the expected principal payment would be carried forward to the subsequent payout.

Prepayments in the pool will first be utilised for accelerated redemption towards Series A1 PTC till complete redemption and then towards Series A2 PTC till complete redemption. The EIS will be used to prepay the principal of the PTCs after the promised and expected payouts have been made every month.

The first line of support for Series A1 PTC and Series A2 PTC in the transaction is in the form of a subordination of 12.50% and 10.00% of the pool principal, respectively. Further credit support is available in the form of an EIS of 16.26% for Series A1 PTC and 16.00% for Series A2 PTC. The originator will provide a CC of 9.00% of the initial pool principal (amounting to Rs. 4.00 crore). In the event of a shortfall in meeting the promised PTC payouts during any month, the CC will be used to meet the same. 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.

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 had low obligor concentration with the top 10 borrowers having a share of ~1% and a weighted average seasoning of ~4 months as on the cut-off date. More than 88% of the initial pool consisted of contracts with a bureau score (at the time of onboarding) of at least 700. The company had reported high delinquencies from 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 seasoning of the post-Covid portfolio, however, remains limited. The pool's performance is expected to remain exposed to the underlying credit risks inherent in the asset class and macro-economic shocks/business disruptions.

**Past rated pools:** ICRA has rated 17 PTC transactions backed by ML receivables, of which 10 have matured. The performance of the live pools (which have completed at least two payouts), post the August 2023 payouts, has been healthy with a cumulative collection efficiency of more than 97% while CC utilisation was nil for all the transactions.

## 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 for 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 1.2-4.5% 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	<a href="#">Rating Methodology for Securitisation Transactions</a>
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 in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Sep 28, 2023	Jul 07, 2023			
Mockingbird 2023	Series A1 PTC	38.89	38.89	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-
	Series A2 PTC	1.11	1.11	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	Moderately Complex
Series A2 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 <sup>^</sup>	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Mockingbird 2023	Series A1 PTC	June 2023	9.60%	September 2024	38.89	[ICRA]AA(SO)
	Series A2 PTC	June 2023	12.00%	September 2024	1.11	[ICRA]AA-(SO)

<sup>^</sup>p.a.p.m. \*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

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Himanshi Doshi**

+91 22 6114 3410

[himanshi.doshi@icraindia.com](mailto:himanshi.doshi@icraindia.com)

**Advait Athavale**

+91 22 6114 3433

[advait.athavale@icraindia.com](mailto:advait.athavale@icraindia.com)

**Sachin Joglekar**

+91 22 6114 34670

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Mrugesh Trivedi**

+91 22 6114 3436

[mrugesh.trivedi@icraindia.com](mailto:mrugesh.trivedi@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6169 3304

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## 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](http://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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