

October 16, 2023

Clix Capital Services Private Limited: Rating confirmed as final for SNs backed by business loan receivables issued by Hestia 2023

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Hestia 2023	Series A1 SN	44.35	[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 SNs issued by Hestia 2023 Trust. The securitisation notes (SNs) are backed by a pool of Rs. 60.71 crore business loan receivables (underlying pool principal of Rs. 50.40 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 September 2023 payouts is shown in the table below.

Parameter	Hestia 2023
Months post securitisation	2
Pool amortisation	8.57%
Series A1 SN amortisation	9.76%
Average monthly prepayment rate	0.13%
Cumulative collection efficiency	99.50%
Loss-cum-0+ dpd	1.47%
Loss-cum-30+ dpd	0.12%
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, over-collateralisation and cash collateral
- Pool consists of nil overdue and nil restructured contracts; moreover, none of the contracts have been delinquent since origination as on cut-off date.
- Higher share of borrowers having bureau score more than 750 attributing to ~65% of the initial principal outstanding.

Credit challenges

- Moderate geographical concentration in the initial pool with top three states attributing to ~59% of the principal outstanding.
- 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 promised cash flow schedule for Series A1 SN, on a monthly basis, comprises the interest payment at a predetermined yield on the outstanding SN principal and the principal to the extent of 88% of the billed pool principal amount for each month. The balance 12% is not promised and is to be paid on an expected basis. During the tenure of Series A1 SN, the collections from the pool, after making the promised and expected payouts to Series A1 SN1, as per the waterfall mechanism, would be used for interest payments on the equity tranche.

Support for Series A1 SN in the transaction is in the form of EIS of 12.37% and subordination of 12.00% of the pool principal. A CC of 8.00% of the initial pool principal provided by Clix acts as further CE in the transaction. In the event of a shortfall in meeting the promised SN payouts during any month, the Trustee will utilise the CC to meet the shortfall.

There were no overdues in the pool as on the cut-off date. The pool had a weighted average seasoning of 6.1 months as on cut off date. It had moderate geographical concentration with the top 3 states (Maharashtra, Karnataka and Tamil Nadu) accounting for 58.8% of the initial pool's principal outstanding. The performance of Clix's BL portfolio was impacted by the Covid-19 pandemic, resulting in an increase in the delinquency levels although the company has managed to reduce the same largely on account stable collection efficiency. ICRA notes that a large part of the portfolio stress emanated from the old and/or restructured book while the performance of recent originations (Q3 FY2021 onwards) has been healthy.

Past rated pools: ICRA has rated 19 BL pools, so far, originated by Clix. Though collections were impacted for a few months due to the pandemic, live pools, which have completed 3 payouts as of the Sep 2023 payout date, have reported a healthy collection efficiency of more than 97% and no CC utilisation in any of the transactions. The CE has built up in all the live pools as compared to the initial levels.

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 lognormal 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 BL segment, ICRA has also considered the credit quality experience of other more established players and ICRA's expectation of the credit quality of BLs. The company's target borrower segment could be financially vulnerable as well as subject to various seasonality factors. Though Clix 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 5.5-6.5%, with certain variability around it. The prepayment rate in the pool is estimated at 3.2-12.0% p.a.

Liquidity position: Strong

The liquidity of the rated transaction is expected to be strong, supported by the healthy collections expected from the pool of contracts and the presence of a CC amounting to 8% of the initial pool principal amount. Assuming a monthly collection efficiency of only 50% in the underlying pool of contracts in a stressed scenario, the CC would cover the shortfall in the scheduled SN payouts for a period of five months.

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 SN payouts from the credit enhancements.

Negative factors – The rating could be downgraded based on sustained weak collection performance of the underlying pool contracts (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 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 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	4,375
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
				October 16, 2023	July 28, 2023			
Hestia 2023	Series A1 SN	44.35	44.35	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 SN	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
Hestia 2023	Series A1 SN	July 2023	10.10%	December 2025	44.35	[ICRA]AA(SO)

[^]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

Himanshi Doshi

+91 22 6114 3410

himanshi.doshi@icraindia.com

Advait Athavale

+91 22 6114 3433

advait.athavale@icraindia.com

Sachin Joglekar

+91 22 6114 34670

sachin.joglekar@icraindia.com

Mrugesh Trivedi

+91 22 6114 3436

mrugesh.trivedi@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6169 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:

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

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.