October 27, 2023

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

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
PL Pixie 2023	Series A1 PTC	41.50	[ICRA]A+(SO); provisional rating finalised

**Instrument details are provided in Annexure I*

Rationale

In July 2023, ICRA had assigned ratings Provisional [ICRA]A+(SO) to the Series A1 pass-through certificate (PTC) issued by PL Pixie 2023 Trust. The pass-through certificates (PTCs) are backed by a pool of personal loan (PL) receivables Rs. 45.35-crore (pool principal; receivables outstanding of Rs. 59.02 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 as on October 2023 payout is shown in the table below.

Parameter	PL Pixie 2023
Months post securitisation	4
Pool amortisation	18.92%
Amortisation Series A1 PTC	23.91%
Cumulative collection efficiency (including advance collections)	97.10%
Monthly Collection (Normal Coll + OD Coll)	96.48%
Loss-cum-0+ dpd	6.14%
Loss cum 30+ dpd	2.78%
Loss cum 90+ dpd	0.36%
Cumulative Prepayment rate	6.95%
Cumulative cash collateral (CC) utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of credit enhancement in the form of excess interest spread (EIS), subordination and cash collateral (CC)
- Pool consists of nil overdue contracts and ~99% of the contracts have never been delinquent since origination as on cut-off date
- Pool has weighted average seasoning of ~8 months with pre-securitisation amortisation of ~13%.

Credit challenges

- Moderately high geographical concentration in the initial pool with top three states attributing to ~34% 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, while the entire principal is promised on the final maturity date (i.e., November 17, 2026). During the tenure of Series A1 PTCs, on each payout date, the pool's collections, after meeting the promised Series A1 PTC interest payouts, will be used to make the expected principal payouts (to the extent of pool principal billing). This principal payout is, however, not promised and any shortfall in making the expected principal payment to Series A1 PTCs would be carried forward to the subsequent payout. The EIS, if any, shall flow back to the originator on every payout date after making all the promised and expected payouts to Series A1 PTCs as per the waterfall mechanism. Also, in case of a shortfall in meeting the promised PTC payouts during any month, the Trustee will utilise the CC to meet the same.

Series A1 PTCs in the transaction have the support of subordination in the form of an over-collateralisation of 6.00% and an equity tranche of 2.50% of the pool principal. Additionally, the EIS of 19.04% of the pool principal provides CE support. A CC of 7.50% of the initial pool principal, provided by Clix, will act as further CE in the transaction. In the event of a shortfall in meeting the promised PTC payouts during any month, the Trustee will utilise the CC to meet the same.

There were no overdues in the pool as on the cut-off date. The pool had a weighted average seasoning of 7.5 months as on cut off date. It had moderate geographical concentration with the top 3 states (Maharashtra, Andhra Pradesh, Telangana) accounting for 33.7% of the initial pool principal. The company witnessed a moderation in the asset quality at the portfolio level, post the onset of the Covid-19 pandemic, resulting in the 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. Further, the recent originations (post Covid) 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 also impact its performance.

Past rated pools' performance: ICRA has, so far, rated 27 PL pools originated by Clix, of which 21 were live as of the October 2023 payout month. Though collections were impacted for a few months due to the pandemic, live pools, which had completed 3 payouts as of the October 2023 payout date, have reported a healthy cumulative collection efficiency of more than 94%. And there has not been any CC utilisation in any of the transactions. The CE coverage 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 4.5-5.5%, 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% per annum.

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. Also, 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 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 – The rating could be downgraded on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), 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	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 and medium enterprise (MSME), etc). The company, which was incorporated as GE Money Financial Services Pvt Ltd 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[1]. 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

Particulars	FY2021 (Audited)	FY2022 (Audited)*	FY2023 (Audited)
Total income	494.76	663.5	703.00
Profit after tax	3.97	-93.91	45.00
Total managed assets	3,027	3,560	4,373
Gross NPA	3.59%	4.95%	2.40%
Net NPA	1.46%	1.42%	1.50%

*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

[1] *GE Money was rechristened Clix Capital Services Private Limited while GE Capital was rechristened Clix Finance India Private Limited*

Rating history for past three years

<table>
<tr><th rowspan="3">Trust Name</th><th colspan="5">Current Rating (FY2024)</th><th colspan="3">Chronology of Rating History for the Past 3 Years</th></tr>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Amount Rated (Rs. crore)</th><th rowspan="2">Amount Outstanding (Rs. crore)</th><th colspan="2">Date & Rating</th><th>Date & Rating in FY2023</th><th>Date & Rating in FY2022</th><th>Date & Rating in FY2021</th></tr>
<tr><th>October 27, 2023</th><th>July 4, 2023</th><th>-</th><th>-</th><th>-</th></tr>
<tr><td>PL Pixie 2023</td><td>Series A1 PTC</td><td>41.50</td><td>41.50</td><td>[ICRA]A+(SO)</td><td>Provisional [ICRA]A+(SO)</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Complexity level of the rated instrument

Instrument	Complexity Indicator
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	Date of Issuance / Sanction	Coupon Rate^	Maturity Date*	Amount Rated (Rs. crore)	Rating
PL Pixie 2023	Series A1 PTC	June 2023	10.30%	November 2026	41.50	[ICRA]A+(SO)

*^p.a.p.m.; *Scheduled PTC 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.

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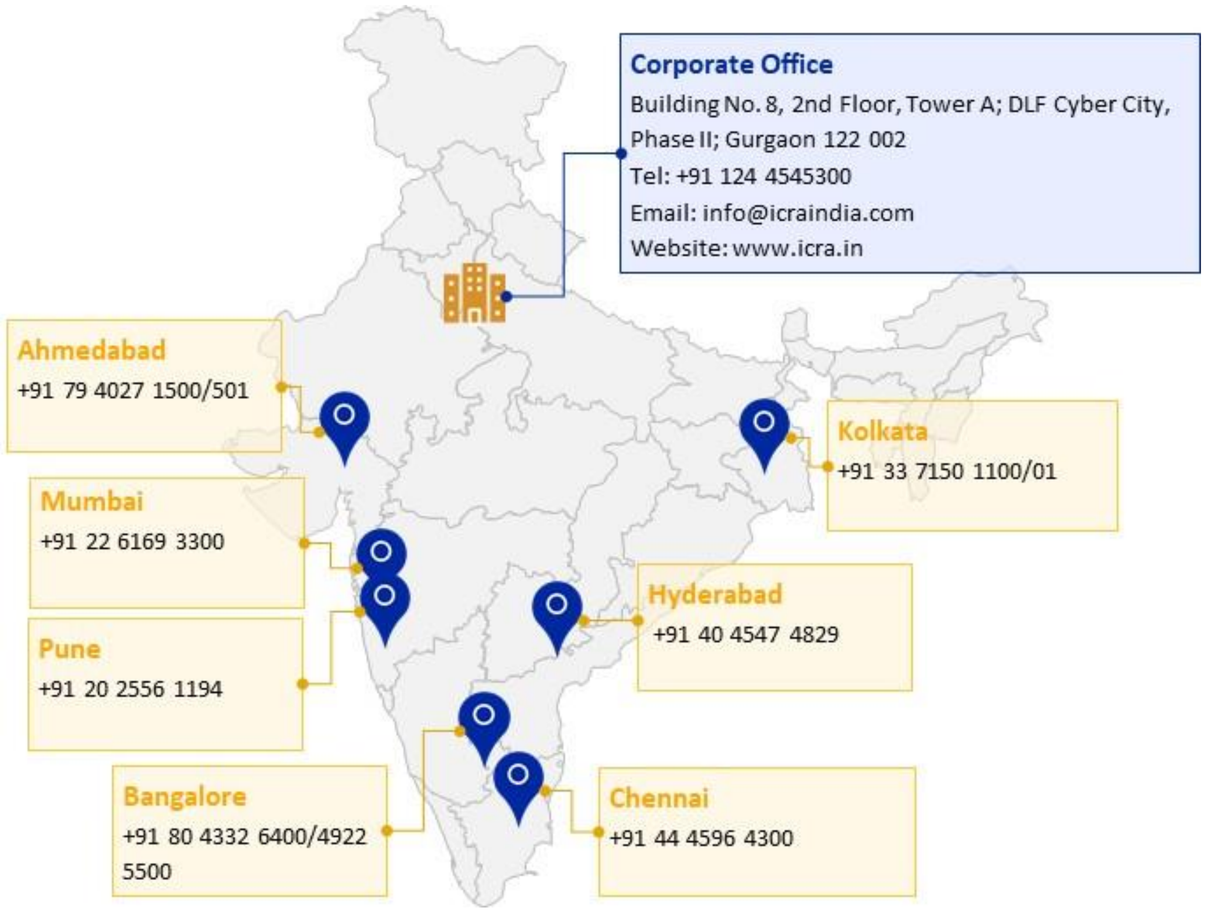

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