

November 13, 2023

Clix Capital Services Private Limited: Rating 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 Oct-23 Payout (Rs. crore)	Rating Action
BL Indigo 017	Series A1 PTC	37.98	NA	6.96	[ICRA]AA+(SO); Upgraded from [ICRA]AA-(SO)
BL Indigo 018	Series A1 PTC	14.97	NA	0.28	[ICRA]AAA(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 rating has 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 rating also draws comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the October 2023 payout month.

Pool performance summary

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

Parameter	BL Indigo 017	BL Indigo 018
Months post securitisation	16	16
Pool amortisation	75.13%	89.29%
Series A1 PTC amortisation	81.66%	98.12%
Cumulative collection efficiency	98.78%	97.54%
Cumulative prepayment rate	12.37%	19.24%
Loss-cum-30+ (% of initial pool principal) ¹	2.22%	2.95%
Loss-cum-90+ (% of initial pool principal) ²	1.85%	2.87%
Cumulative CC utilisation	0.00%	0.00%
CC available (as % of balance pool)	40.21%	93.36%
EIS over balance tenure (as % of balance pool)	7.18%	8.31%
Principal subordination (% of balance pool) PTC A1	32.17%	84.03%
Breakeven collection efficiency	27.37%	<0%

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

Key rating drivers

BL Indigo 017

Credit strengths

- Substantial amortisation of the PTC resulting in high credit enhancement build up for future PTC payouts.
- Healthy collection efficiency observed in the pool.

Credit challenges

- Exposed to inherent credit risk associated with the unsecured nature of the asset class; pool's performance could be affected by macro-economic shocks/business disruptions, if any.

BL Indigo 018

Credit strengths

- Substantial amortisation of the PTC resulting in high credit enhancement build up for future PTC payouts.
- Cash collateral fully covers the future PTC payouts in the transaction.

Credit challenges

- Exposed to inherent credit risk associated with the unsecured nature of the asset class; Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

Description of key rating drivers highlighted above

The cumulative collection efficiency for both the pools has been reported above 98% in all the months since origination. The loss-cum-90+ days past due (dpd) is reported between 1.6% to 3.0% till October 2023 payout month. Any shortfall in the 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 the pools. Further, due to the significant amortisation of the PTC/pools, there has been a 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 rating 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 20 BL pools, originated by Clix. Though collections in the pools were impacted for a few months due to the pandemic, the performance of live pools (which have completed atleast 3 payouts) as of October 2023 payout, has been strong with collection efficiency above 98%. 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 017	1.00-2.00%	3.2-12.0% p.a.

Liquidity position

BL Indigo 017: 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 credit enhancement are expected to be comfortable to meet the promised payouts to the PTC investors.

BL Indigo 018: Superior

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

Rating sensitivities

BL Indigo 017

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 credit enhancement utilisation levels, would result in a ratings downgrade.

BL Indigo 018

Positive factors – Not Applicable

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

Analytical approach

The rating action is based on the performance of the pools till September 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 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), 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)	H1 FY2024 (Provisional)
Total income	494.8	663.5	703	458
Profit after tax	3.9	-93.9	45	30
Total managed assets	3,027	3,650	4,373	5,091
Gross NPA	3.6%	4.9%	2.4%	2.2%
Net NPA	1.5%	1.4%	1.5%	1.3%

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	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
				November 13, 2023	November 21, 2022	June 15, 2022		-
BL Indigo 017	Series A1 PTC	37.98	6.96	[ICRA]AA+(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
				November 13, 2023	November 21, 2022	June 15, 2022		-
BL Indigo 018	Series A1 PTC	14.97	0.28	[ICRA]AAA(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)		-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
BL Indigo 017	Series A1 PTC	Moderately Complex
BL Indigo 018	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 017	Series A1 PTC	May 2022	10.00%	November 2024	6.96	[ICRA]AA+(SO)
BL Indigo 018	Series A1 PTC	May 2022	10.20%	November 2024	0.28	[ICRA]AAA(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

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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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