

December 29, 2023

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

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Minerva 2023	Series A PTC	92.44	[ICRA]AA(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In September 2023, ICRA had assigned a Provisional [ICRA]AA(SO) rating to Series A PTCs issued by Minerva 2023 Trust. The pass-through certificates (PTCs) are backed by a pool of Rs. 122.90 crore merchant loan receivables (underlying pool principal of Rs. 102.71 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 November 2023 payouts is shown in the table below.

Parameter	Minerva 2023
Months post securitisation	2
Pool amortisation	22.16%
Series A PTC amortisation	25.36%
Cumulative prepayment rate	9.43%
Cumulative collection efficiency	98.72%
Loss-cum-0+ dpd	7.13%
Loss-cum-30+ dpd	0.60%
Loss-cum-90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of CE in the form of OC, EIS and CC.
- Absence of overdue contracts as on cut-off date.
- All the contracts in the initial pool have a bureau score of atleast 700 at the time of onboarding.

Credit challenges

- Moderate geographical concentration with top 3 states accounting for ~45% of the initial pool principal.
- High delinquencies seen in the portfolio in the past; limited vintages, post underwriting revision undertaken after the Covid-19 pandemic.
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; pool's performance could remain exposed to macroeconomic shocks/business disruptions, if any.

Description of key rating drivers highlighted above

As per the transaction structure, the underlying loans follow a monthly payment schedule. The monthly cash flow schedule (for the PTC investors) comprises the promised interest payment to Series A PTC at the predetermined interest rate on the principal outstanding and the scheduled principal payment (to the extent of 90% of the pool billing amount). The balance 10% of the principal is expected to be paid on a monthly basis but is not promised. During the tenure of the PTCs, the collections from the pool, after making the promised payouts to Series A PTC, will be used to make the expected principal payouts to Series A PTC, though a portion of the monthly principal payout (10%) is not promised. All the collections in the form of prepayments would be used for the accelerated principal redemption of Series A PTC. The surplus EIS available after meeting the promised and expected payouts to the PTCs will be passed on to the originator every month.

The first line of support for Series A PTC in the transaction is in the form of a subordination of 10.00% of the pool principal. The originator has provided a CC of 11.00% of the initial pool principal (amounting to Rs. 11.30 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. Further, 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 0.42% and it had a weighted average seasoning of 4.2 months as of the cut-off date. Around 52% of the initial pool consisted of contracts with a bureau score (at the time of onboarding) of more than 750. 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 macroeconomic 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 November 2023 payouts, has been healthy with a cumulative collection efficiency of more than 97% and 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 the credit quality experience of Clix and ICRA's expectations 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 4.25-5.25%, with certain variability around it. The prepayment rate for the underlying pool is estimated at 1.2-4.5% per annum.

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 11.00% of the pool principal amount. Even assuming a monthly collection efficiency of only 50% in the underlying pool of contracts in a stress scenario, the CC would cover the shortfall in the scheduled PTC payouts for a period of four months.

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. Weakening in the credit profile of the servicer could also exert pressure on the rating.

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 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

	FY2022 (Audited)	FY2023 (Audited)	H1 FY2024*
Total Income	663.5	703	458
Profit after Tax	-93.91	45	30
Total Managed Assets	3,650	4,375	5,091
Gross NPA%	4.95%	2.40%	2.2%
Net NPA%	1.42%	1.5%	n/a

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
				Dec 29, 2023	Sep 25, 2023	-	-	-
Minerva 2023	Series A PTC	92.44	92.44	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A 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
Minerva 2023	Series A PTC	September 2023	9.35%	December 2024	92.44	[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

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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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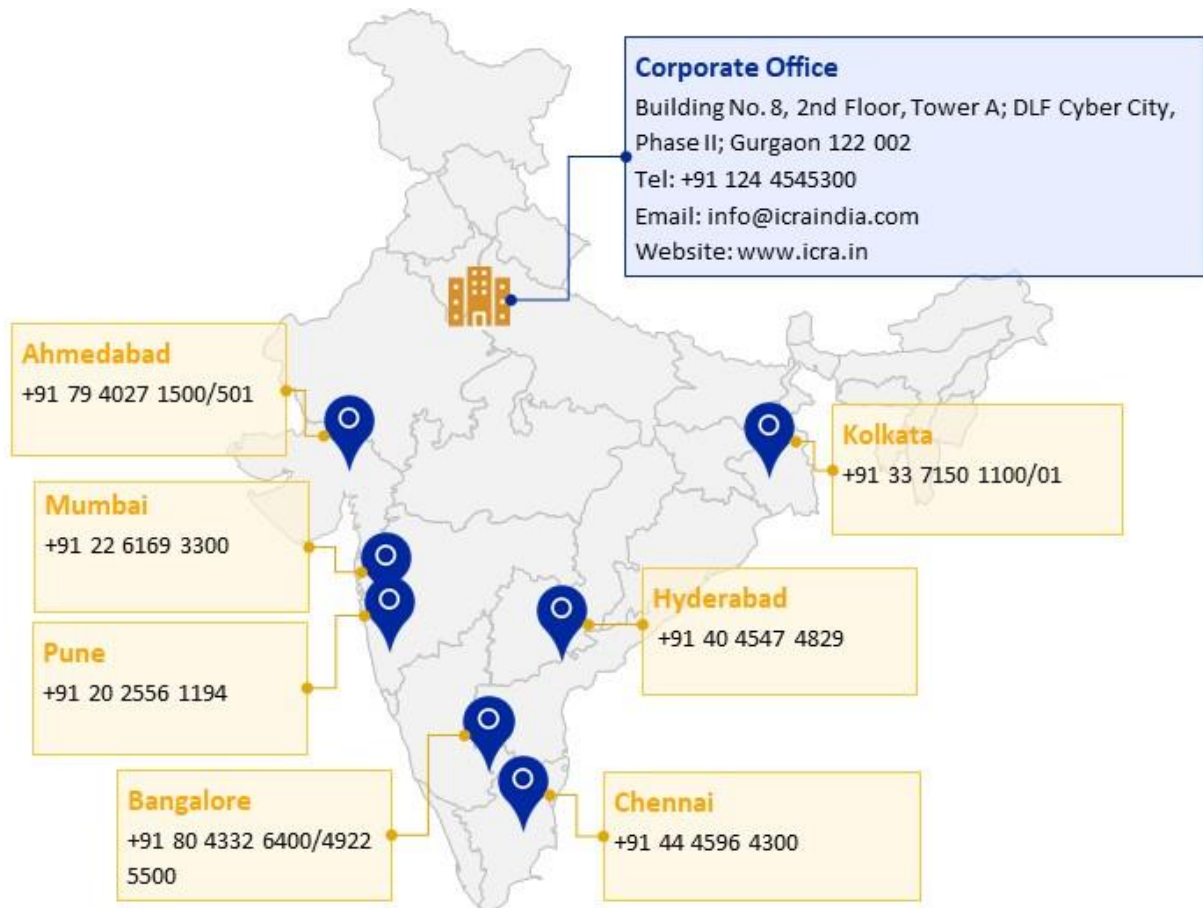
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