

February 28, 2024

Clix Capital Services Private Limited: Rating reaffirmed for PTCs backed by home loan and LAP receivables

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Jan-24 Payout (Rs. crore)	Rating Action
Stellar Trust September 2022	Series A PTC	28.30	28.30	16.70	[ICRA]A+(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) tabulated above are backed by pool of home loan (HL) and loan against property (LAP) receivables originated by Clix Capital Services Private Limited (Clix). The rating reaffirmation factors in build-up of the credit enhancement (CE) cover over the future PTC payouts due to the moderate amortisation in the transaction. Despite the delinquencies in the harder buckets of 90+ dpd, the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool.

Pool performance summary

A summary of the performance of the pool till the December 2023 collection month (January 2024 payout) is tabulated below.

Parameter	Stellar Trust September 2022
Months post securitisation	15
Pool amortisation	36.9%
PTC Series A amortisation	40.9%
Cumulative collection efficiency	98.9%
Cumulative prepayment rate	33.7%
Loss-cum-30+ (% of initial pool principal) ¹	2.2%
Loss-cum-90+ (% of initial pool principal) ²	0.9%
Cumulative CC utilisation	0.0%
CC available (as % of balance pool)	7.9%
CG available (as % of balance pool)	7.9%
EIS over balance tenure (as % of balance pool)	>100%
Principal subordination (% of balance pool) PTC A1	15.8%
Breakeven collection efficiency	43.3%

Key rating drivers

Credit strengths

- Moderate amortisation of the pool leading to build up of credit enhancement cover available for the balance PTC payouts.

Credit challenges

- High obligor concentration with top ten borrowers accounting for ~34% in the balance pool as on Jan-24 payout month.

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

- PTC yield is linked to an external benchmark while interest rate on the underlying loans is linked to originator's internal benchmark rate leading to basis risk in the structure
- Performance of the pool could remain exposed to macro-economic shocks / business disruptions, if any.

Description of key rating drivers highlighted above

The cumulative collection efficiency of the underlying pool has been above 98% till December 2023 collection month. ICRA takes note of the moderate loss-cum-90+ days past due (dpd) observed in the pool. 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 external credit enhancement utilisation till date in the pool. The pool also has high obligor concentration with top ten borrowers accounting for ~34% in the balance pool as on Jan-24 payout month. Despite delinquencies observed in recent months, ICRA draws comfort from the considerable build-up in the CE coverage for the balance tenure of the PTC payouts due to the moderate amortisation of the PTC. The PTC yield is linked to an external benchmark while interest rate on the underlying loans is linked to originator's internal benchmark rate leading to basis risk in the structure. Also the performance of the pool would remain exposed to macro-economic shocks/business disruptions, if any. ICRA will continue to closely monitor the performance of these transactions. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modelling for rating mortgage-backed securitisation (MBS) 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 the originator's loan portfolio. ICRA notes originator's credit quality experience and ICRA's expectation of the credit quality for the asset classes involved. The resulting collections from the pool – after incorporating the impact of losses and prepayments as above – are considered 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.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pool is provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Stellar Trust September 2022	3.0 - 4.0%	6.0-20.0% p.a.

Liquidity position - Superior

The liquidity for Series A is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 10 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the healthy performance of the underlying pool coupled with strong collections and an improvement in credit profile of the originators.

Negative factors – The pressure on the ratings could emerge on account of the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the originator could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till December 2023 (collection month), the present delinquency profile of the pool, the CE available in the transaction, and the performance expected over the balance tenure of the pool.

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 Limited (Clix) is a non-banking finance company (NBFC) registered with the Reserve Bank of India (RBI) engaged in providing retail financing products (personal loans, business loans, 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 micro, small & medium enterprise (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), is primarily engaged in housing/mortgage finance products.

Key financial indicators

Consolidated	FY2022	FY2023	H1FY2024
Total income	663.5	703.0	458.0
Profit after tax	-93.9	45.0	30.0
Total managed assets	3,650	4,373	5,091
Gross NPA	5.0%	2.4%	2.2%
Net NPA	1.4%	1.5%	n/a

Source: Company data, ICRA Research; Amount in Rs. crore; *Provisional financials

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 FY2021	Date & Rating in FY2020
				February 28, 2024	February 16, 2023	October 28, 2022		
Stellar Trust September 2022	Series A PTC	28.30	16.70	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Stellar Trust September 2022	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 Type	Date of Issuance	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Rating
Stellar Trust September 2022	Series A PTC	October 2022	11.70%	March 2049	16.70	[ICRA]A+(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.

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