

March 19, 2024

## Clix Capital Services Private Limited: Ratings upgraded for PTCs issued under two business loan securitisation transactions

### Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Feb-24 Payout (Rs. crore)	Rating Action
BL Bludger Nov 2022	Series A PTC	37.86	NA	8.70	[ICRA]AA+(SO); Upgraded from [ICRA]AA(SO)
Nimbus 2022 BL Derby	Series A1 PTC	32.24	NA	7.63	[ICRA]AA+(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 ratings have 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 February 2024 payout month.

### Pool performance summary

A summary of the performance of the pools till the January 2024 collection month (February 2024 payout) has been tabulated below.

Parameter	BL Bludger Nov 2022	Nimbus 2022 BL Derby
Months post securitisation	14	14
Pool amortisation	70.1%	70.2%
Series A1 PTC amortisation	77.0%	76.3%
Cumulative collection efficiency	97.8%	97.3%
Cumulative prepayment rate	12.3%	12.1%
Loss-cum-30+ dpd (% of initial pool principal) <sup>1</sup>	3.1%	3.3%
Loss-cum-90+ dpd (% of initial pool principal) <sup>2</sup>	3.1%	2.7%
Cumulative CC utilisation	0.0%	0.0%
CC available (as % of balance pool principal)	36.8%	33.6%
EIS over balance tenure (as % of balance pool principal)	7.5%	7.4%
Principal subordination (% of balance pool principal)	30.1%	26.9%
Breakeven collection efficiency	32.2%	38.0%

<sup>1</sup> Principal outstanding (POS) on contracts aged 30+ days past due + overdues / Initial POS on the pool

<sup>2</sup> POS on contracts aged 90+ days past due + overdues / Initial POS on the pool

## Key rating drivers for both the pools

### Credit strengths

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

### 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.

### Description of key rating drivers highlighted above

The cumulative collection efficiency for both the pool has been reported above 97% as on January 2024 collection month. The loss-cum-90+ dpd is reported at 3.1% and 2.7% for BL Bludger Nov 2022 and Nimbus 2022 BL Derby, respectively, as on January 2024 collection 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 rated 20 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 February 2024 payout date, have reported a healthy collection efficiency of more than 97% and no CC utilisation in any of the transactions and 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 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 Bludger Nov 2022	2.00-3.00%	4.8-18.0% p.a.
2	Nimbus 2022 BL Derby	2.00-3.00%	4.8-18.0% p.a.

### Liquidity position

**Superior for both the pools:** The liquidity for both the PTC instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~7.75 times for both the pools than the estimated loss in the pool.

## Rating sensitivities for both the pools

**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 (monthly collection efficiency <90%) of the underlying pool leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings downgrade. Weakening in the credit profile of the servicer could also exert pressure on the rating.

## Analytical approach

The rating action is based on the performance of the pools till January 2024 (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	<a href="#">Rating Methodology for Securitisation Transactions</a>
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

	FY2022 (Audited)	FY2023 (Audited)	9M FY2024 (Provisional)
Total Income	663.5	703.0	705.7
Profit after tax	-93.9	45.0	46.5
Total Managed Assets	3,650	4,373	5,359.2
Gross Stage 3	5.0%	2.4%	2.3%
CRAR	35.8%	37.1%	26.9%

Source: Company, ICRA Research; 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
				March 19, 2024	March 17, 2023	November 30, 2022		
<b>BL Bludger Nov 2022</b>	Series A PTC	37.86	8.70	[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
				March 19, 2024	March 17, 2023	December 06, 2022		
<b>Nimbus 2022 BL Derby</b>	Series A1 PTC	32.24	7.63	[ICRA]AA+(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-

## Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
<b>BL Bludger Nov 2022</b>	Series A PTC	Moderately Complex
<b>Nimbus 2022 BL Derby</b>	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
<b>BL Bludger Nov 2022</b>	Series A PTC	November 2022	10.05%	May 2025	8.70	[ICRA]AA+(SO)
<b>Nimbus 2022 BL Derby</b>	Series A1 PTC	December 2022	10.35%	May 2025	7.63	[ICRA]AA+(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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