

March 19, 2024

Clix Capital Services Private Limited: Rating actions for PTCs backed by merchant loan receivables securitisation transactions

Summary of rating action

Trust Name	Instrument	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Morrie 2023	Series A PTC	49.62	3.99	1.66	[ICRA]A+(SO); Removed from rating watch with negative implications
Mockingbird 2023	Series A1 PTC	38.89	0.39	0.00	[ICRA]AA(SO); Withdrawn
	Series A2 PTC	1.11	1.11	0.00	[ICRA]AA-(SO); Withdrawn
Kishtwar 2023	Series A PTC	39.66	0.46	0.00	[ICRA]AA(SO); Withdrawn

Rationale

In February 2024, ICRA had placed the ratings for pass-through certificates (PTCs) issued by Morrie 2023 Trust, under watch with negative implications. These PTCs are backed by pool of merchant loan receivables originated by Clix Capital Services Private Limited (Clix) under its merchant lending programme with One97 Communications Limited (OCL). The rating were placed under watch on account of the order of the Reserve Bank of India (RBI) dated January 31, 2024 imposing multiple restrictions on Paytm Payments Bank Limited (PPBL). Due to these restrictions, the overall programme between Clix and OCL are likely to be affected to the extent where the nodal bank is PPBL wherein OCL would be required to change the nodal bank to another commercial bank. There is also possibility of wider impact in terms of reduced usage of OCL's QR systems at the merchant's end which may result in lower cash flowing through the existing architecture to meet the daily payment requirements.

Due to further amortisation of the underlying pool and PTC post the February 2024 payout, the future payouts to the PTC investors are now fully covered by the cash collateral in the transaction. Hence, ICRA has removed the rating from watch with negative implications.

ICRA has withdrawn the rating assigned to Mockingbird 2023 and Kishtwar 2023 as all the payouts to the investors in the mentioned instruments have been made and no further payments are due to the investors.

The links for the previous detailed rationales for the above-mentioned PTC transactions that captures Credit Enhancement, Key rating drivers, Liquidity position, Rating sensitivities, Key financial indicators are as follows:

1. [Mockingbird 2023](#)
2. [Kishtwar 2023](#)

Key rating drivers

Credit strengths

- Healthy build-up of credit enhancement leading to CC fully covering future PTC payouts

Credit challenges

- 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 cumulative collection efficiency for the pool has been reported above 99% and the loss-cum-90+ days past due (dpd) has been nil as on February 2024 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 the pool. Further, due to the significant amortisation of the PTC/pool, there has been a substantial build-up in the CE for the balance tenure of the PTC payouts and CC is fully covering the balance PTC payouts. ICRA will continue to closely monitor the performance of this transaction. 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, if any, could also impact its performance.

Past rated pools' performance:

ICRA has rated 18 PTC transactions backed by ML receivables, of which 13 have matured. The performance of the live pools (which have completed at least two payouts), post the February 2024 payout month, has been healthy with a cumulative collection efficiency of more than 97% and nil CC utilisation in all the transactions.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of asset-backed securitisation (ABS) transactions involves simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. Considering that the CC is fully covering the balance PTC payouts to the investors, ICRA has not undertaken cash flow modelling. The assumptions for the loss are, nonetheless, arrived at after taking into account the past performance of the originator's portfolio and the 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.

Liquidity position: Superior

The CC available covers the future PTC investor payouts.

Rating sensitivities

Positive factors – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts leading to lower-than-expected delinquency levels and on an increase in the cover available for future PTC payouts from the credit enhancement (CE).

Negative factors – Pressure on the rating could emerge on the sustained weak collection performance 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

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions ICRA's Policy on Withdrawal of Credit Rating
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 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	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2024)				Chronology of Rating History for the past 3 years		
				Date & Rating				Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Mar 19, 2024	Feb 07, 2024	Sep 14, 2023	May 29, 2023	-	-	-
1 Morrie 2023	Series A PTC	49.62	1.66	[ICRA]A+(SO)	[ICRA]A+(SO); rating watch with negative implications	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-

Trust Name	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2024)				Chronology of Rating History for the past 3 years		
				Date & Rating				Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Mar 19, 2024	Feb 07, 2024	Sep 28, 2023	Jul 07, 2023			
2 Mockingbird 2023	Series A1 PTC	38.89	0.00	[ICRA]AA(SO); Withdrawn	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-
	Series A2 PTC	1.11	0.00	[ICRA]AA-(SO); Withdrawn	[ICRA]AA-(SO)	[ICRA]AA-(SO)	Provisional [ICRA]AA-(SO)	-	-	-

Trust Name	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2024)			Chronology of Rating History for the past 3 years		
				Date & Rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Mar 19, 2024	Feb 07, 2024	May 15, 2023			
3 Kishtwar 2023	Series A PTC	39.66	0.00	[ICRA]AA(SO); Withdrawn	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Morrie 2023	Series A PTC	Moderately Complex
Mockingbird 2023	Series A1 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
Kishtwar 2023	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 analyzing 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, is 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 and Outlook
Morrie 2023	Series A PTC	May 2023	10.90%	August 2024	1.66	[ICRA]A+(SO)
Mockingbird 2023	Series A1 PTC	June 2023	9.60%	September 2024	0.00	[ICRA]AA(SO); Withdrawn
	Series A2 PTC	June 2023	12.00%	September 2024	0.00	[ICRA]AA-(SO); Withdrawn
Kishtwar 2023	Series A PTC	March 2023	9.65%	July 2024	0.00	[ICRA]AA(SO); Withdrawn

Source: Company

Annexure-II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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