

May 17, 2024

Clix Capital Services Private Limited: Rating upgraded to [ICRA]AAA(SO) for PTCs issued under a personal loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Amount after Apr-24 Payout (Rs. crore)	Rating Action
Northern Arc 2022 PL Nebuchadnezzar	PTC Series A	56.12	19.87	3.05	[ICRA]AAA(SO); Upgraded from [ICRA]AA+(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) tabulated above are backed by a pool of personal loan (PL) receivables originated by Clix Capital Services Private Limited (Clix). The rating upgrade is on account of the build-up of the credit enhancement (CE) cover for the future PTC payouts due to the high amortisation of the pool. Also, the breakeven collection efficiency is much lower than the actual collection efficiency seen in the pool.

Pool performance summary

A summary of the performance of the pools till the March 2024 collection month (April 2024 payout) is tabulated below.

Parameter	Northern Arc 2022 PL Nebuchadnezzar
Months post securitisation	27
Pool amortisation	85.8%
PTC amortisation	94.6%
Cumulative collection efficiency	95.3%
Cumulative prepayment rate	28.3%
Loss-cum-30+ (% of initial pool principal) ¹	5.0%
Loss-cum-90+ (% of initial pool principal) ²	4.5%
Cumulative cash collateral (CC) utilisation	0.0%
CC available (as % of balance pool)	70.2%
Excess interest spread (EIS) over balance tenure (as % of balance pool)	12.4%
Principal subordination (% of balance pool) for PTCs	65.4%
Breakeven collection efficiency	<0%

Key rating drivers

Credit strengths

- Build-up in credit enhancement cover for future PTC payouts due to high amortisation of the PTCs

Credit challenges

- Rise in delinquencies seen in harder buckets in recent months
- Exposed to inherent credit risk associated with the unsecured nature of the asset class; Performance of the pool could remain exposed to macro-economic shocks / business disruptions, if any

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

Description of key rating drivers highlighted above

The pools have exhibited a satisfactory performance with a cumulative collection efficiency of above 95% as on April-24 payout month. The pool has reported 90+ dpd of 4.52% as on April-24 payout month however, ICRA does not expect the 90+ dpd to rise materially given the short tenure of the pool. Further, the high amortisation has led to significant build-up of the CE such that the CC covers the entire future PTC payouts. Also the breakeven collection efficiency is much lower than the collection efficiency seen in the pool. Nonetheless, the performance of the pools would remain exposed to macro-economic shocks/business disruptions. ICRA will continue to monitor the performance of the transaction.

Performance of past rated pools: ICRA has rated 25 PL transactions originated by Clix, of which 18 are live, post the March 2024 payout month. The live pools, (which have completed three payouts) as of the March 2024 payout month, have reported a satisfactory performance with a cumulative collection efficiency of more than 92% and the pools have seen a build-up in the CE due to amortisation. There has not been any instance of CC utilisation in any of the transactions till date. All the matured pools have shown 90+ dpd below 5.0% on maturity except for one pool. Further, the CE was adequate to ensure there was no loss to the PTC investors.

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.

Liquidity position : Superior

The liquidity is superior since the available CC fully covers the entire balance PTC payouts.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – The rating is unlikely to change as the CC covers the entire balance PTC payouts.

Analytical approach

The rating action is based on the performance of the pools till the April 2024 payout month (March 2024 collection month), the present delinquency profile of the pools, the CE available in the transactions, 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 & 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 CFIPPL). 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
Gross stage 3	5.0%	2.4%	2.3%
CRAR	35.8%	37.1%	26.9%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
	Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
				May 17, 2024	May 29, 2023	May 19, 2022	February 07, 2022	
Northern Arc 2022 PL Nebuchadnezzar	PTC Series A	56.12	3.05	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]A+(SO)	Provisional [ICRA]AA(SO)	

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Northern Arc 2022 PL Nebuchadnezzar	PTC Series A	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
Northern Arc 2022 PL Nebuchadnezzar	PTC Series A	January 2022	9.50%	June 2026	3.05	[ICRA]AAA(SO)

^{}Scheduled maturity at transaction initiation; may change on account of prepayments*

[^]p.a.p.m.

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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