

August 29, 2024

Clix Capital Services Private Limited: Rating action for PTC-backed merchant loan receivables securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial amount (Rs. crore)	Amount after Previous Rating Exercise (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Hollow 2023	Series A PTC	57.68	49.65	19.97	[ICRA]AA(SO); Reaffirmed and removed from Rating Watch with Negative Implications
Inyeon 09 2023	Series A1 PTC	56.67	25.43	2.73	[ICRA]AAA(SO); Upgraded from [ICRA]A+(SO) and removed from Rating Watch with Negative Implications

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by pools of merchant loan (ML) receivables originated by Clix Capital Services Private Limited (Clix/Originator). ICRA had placed the ratings on Watch with Negative Implications in February 2024 on account of multiple restrictions imposed by the Reserve Bank of India (RBI) on Paytm Payments Bank Limited (PPBL). As result, no further deposits or credit transactions or top-ups were to be allowed in any customer accounts of PPBL, prepaid instruments, wallets, FASTags, national common mobility cards (NCMCs), etc. Moreover, the nodal accounts of Group entities, One97 Communications Limited (OCL) and Paytm Payments Services Limited, were to be terminated no later than February 29, 2024. These nodal accounts were also serving as collection accounts for Clix's merchant lending programme. Hence, the cash flows from the underlying ML pools were at risk of significant reduction.

Nonetheless, ICRA notes the strong performance of the ML pools as necessary steps were taken to enable the smooth transition of the collection accounts. ICRA has thus removed the ratings from Watch with Negative Implications. The rating for Hollow 2023 has been reaffirmed on account of the buildup of the credit enhancement cover. The rating for Inyeon 09 2023 has been upgraded on account of the high amortisation of the pool, which has led to the cash collateral (CC) fully covering the balance PTC payouts to be made to the investors.

Pool performance summary

Parameter	Hollow 2023	Inyeon 09 2023
Payout month	July 2024	July 2024
Months post securitisation	7	10
Pool amortisation	58.8%	82.6%
PTC amortisation	65.4%	95.2%
Cumulative collection efficiency ¹	97.3%	93.3%
Loss-cum-90+ (% of initial pool principal) ²	1.5%	5.8%
Breakeven collection efficiency ³	46.6%	Nil

¹ Cumulative collections till date / Cumulative billings till date + Opening overdues

² Principal outstanding (POS) on contracts aged 90+ dpd + Overdues / Initial POS on the pool

³ It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – Credit collateral available) / Balance pool cash flows

Parameter	Hollow 2023	Inyeon 09 2023
Cumulative CC utilisation (% of initial CC)	0.0%	0.0%
CC available (as % of balance pool principal)	26.7%	28.7%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal)	7.3%	3.3%
Cumulative prepayment rate ⁴	23.55%	27.97%

Transaction structure

Hollow 2023

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and the principal payout (90% of the pool principal billed). The balance principal (10%) is expected to be paid on a monthly basis until the maturity of Series A PTC. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the Series A PTC principal.

Inyeon 09 2023

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the Series A1 PTC principal.

Key rating drivers and their description

Credit strengths

Hollow 2023

Substantial credit enhancement available in the structure – The rating factors in the buildup in the credit enhancement with the CC increasing to ~27% of the balance pool principal from 11.0% at the time of securitisation. Internal credit support is also available through the scheduled EIS and subordination.

Healthy pool performance – The performance of the pool has been strong with the cumulative collection efficiency exceeding 97% till the July 2024 payout month. Further, there have been no instances of CC utilisation in the pool till date, owing to the strong collection performance and the presence of EIS in the transaction.

Inyeon 09 2023

Substantial credit enhancement available in the structure – The rating considers the buildup in the credit enhancement, with the CC fully covering the future PTC payouts to the investors, on account of significant pool and PTC amortisation.

Healthy pool performance – The performance of the pool has been strong with the cumulative collection efficiency surpassing 93% till the July 2024 payout month. Further, there have been no instances of CC utilisation in the pool till date, owing to the strong collection performance and the presence of EIS in the transaction.

⁴ POS at the time of prepayment of contracts prepaid till date / Initial pool principal

Credit challenges

Hollow 2023

Risks associated with lending business – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class. Moreover, recoveries from delinquent contracts tend to be lower.

Inyeon 09 2023

Not applicable

Key rating assumptions

ICRA's cash flow modelling for rating securitisation 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 assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pools, ICRA has estimated the shortfall in the pool principal collection during their tenure at 3.50% with certain variability for the Hollow 2023 transaction. The average prepayment rate for both pools is modelled in the range of 1.2% to 4.5% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Hollow 2023	Inyeon 09 2023
Originator	Clix Capital Services Private Limited	Clix Capital Services Private Limited
Servicer	Clix Capital Services Private Limited	Clix Capital Services Private Limited
Trustee	IDBI Trusteeship Services Limited	Catalyst Trusteeship Limited
CC bank	The Federal Bank Limited	The Federal Bank Limited
Collection and payout account bank	The Federal Bank Limited	The Federal Bank Limited

Liquidity position: Superior

Hollow 2023

The liquidity for Series A PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~7 times the estimated loss in the pool.

Inyeon 09 2023

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

Rating sensitivities

Hollow 2023

Positive factors – The rating could be upgraded when the CC covers the entire balance PTC payouts.

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer (Clix) could also exert pressure on the rating.

Inyeon 09 2023

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 July 2024 payout month (June 2024 collection month), the present delinquency profile of the pools, the credit enhancement 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 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

Particulars	FY2022	FY2023	FY2024
Total revenue	663.5	706.0	955.0
PAT	-93.9	45.0	61.8
Total managed assets	3,650	4,374	5,681
Gross stage 3	4.9%	2.4%	1.8%
CRAR	35.8%	37.1%	28.3%

Source: Company data, ICRA Research; Amount in Rs. crore; Financials for FY2022, FY2023 and FY2024 are audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years					
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024				Date & Rating in FY2023
				Aug 29, 2024	Feb 15, 2024	Feb 07, 2024	Jan 03, 2024	-	-
Hollow 2023	Series A PTC	57.68	19.97	[ICRA]AA(SO)	[ICRA]AA(SO); Rating Watch with Negative Implications	Provisional [ICRA]AA(SO); Rating Watch with Negative Implications	Provisional [ICRA]AA(SO)	-	-

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years					
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024				Date & Rating in FY2023
				Aug 29, 2024	Feb 07, 2024	Jan 18, 2024	Oct 03, 2023	-	-
Inyeon 09 2023	Series A1 PTC	56.67	2.73	[ICRA]AAA(SO)	[ICRA]A+(SO); Rating Watch with Negative Implications	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Hollow 2023	Series A PTC	Moderately Complex
Inyeon 09 2023	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 (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Hollow 2023	Series A PTC	Dec 30, 2023	9.35%	Apr 20, 2025	19.97	[ICRA]AA(SO)
Inyeon 09 2023	Series A1 PTC	Sep 22, 2023	10.48%	Dec 17, 2024	2.73	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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About ICRA Limited:

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