

September 23, 2024

Clix Capital Services Private Limited: Ratings reaffirmed for PTCs backed by pool of personal loan & business loan receivables securitisation transaction

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
Murakami 2023	Series A1(a)	23.68	23.68	1.84	[ICRA]AA+(SO); Reaffirmed
	Series A1(b)	2.63	2.63	2.63	[ICRA]A+(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs), i.e. Series A1(a) and Series A1(b), are backed by a pool of personal loan (PL) and business loan (BL) receivables originated by Clix Capital Services Private Limited (Clix/Originator).

The ratings have been reaffirmed on account of the healthy amortisation and build-up in the credit enhancement level in the transaction. The ratings take into account the lower breakeven collection efficiency compared to the actual collection level observed in the pool till the August 2024 payout month.

Pool performance summary

Parameter	Murakami 2023
Payout month	August 2024
Months post securitisation	12
Pool amortisation	73.9%
PTC amortisation ¹ – Series A1(a)	92.2%
PTC amortisation ² – Series A1(b)	0.0%
Cumulative collection efficiency ³	94.4%
Loss-cum-30+ dpd ³ (% of initial pool principal)	7.2%
Loss-cum-90+ dpd (% of initial pool principal)	4.5%
Breakeven collection efficiency ⁴ for Series A1(a)	5.0%
Breakeven collection efficiency ⁵ for Series A1(b)	38.9%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
CC (as % of balance pool principal)	19.2%
Excess interest spread (as % of balance pool): Series A1 ⁶	9.5%
Cumulative prepayment rate ⁷	32.4%

¹ For the purpose of this section, we have used Series A1(a) and Series A2 if applicable

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³ Cumulative collections / (Cumulative billings + Opening overdue at the time of securitisation)

⁴ Days past due

⁵ Breakeven collection efficiency = Balance PTC cash flows – Cash collateral available / Balance pool cash flows

⁶ Breakeven collection efficiency = Balance PTC cash flows – Cash collateral available / Balance pool cash flows

⁷ (Pool cash flows – Cash flows to PTC Series A1 – PTC Series A2 principal (if applicable) – Originator's residual share) / Pool principal outstanding

⁸ Principal outstanding at the time of prepayment of contracts prepaid till date / Initial pool principal

Transaction structure

Till May 17, 2025, the monthly collections from the pool will be used for making the promised interest payouts to Series A1(a) and A1(b) on a pari passu basis. After making these interest payouts, collections will be used to make the expected principal payouts to Series A1(a) till its redemption followed by the expected principal payouts to Series A1(b). The entire principal repayment to Series A1(a) and A1(b) is promised on the scheduled maturity date of the respective tranches.

From May 18, 2025 till the final maturity date, the collections from the pool will be used for making the promised interest payouts to Series A1(a) and A1(b) on a pari passu basis. After this, collections will be utilised for the expected principal redemption of Series A1(a) and A1(b) on a pari passu basis. The excess interest spread (EIS) available after meeting the expected and promised PTC payments will flow back to the Originator on a monthly basis.

All prepayment amounts would be passed on to Series A1(a) till May 17, 2025. From May 18, 2025, the prepayment amounts would be passed on to Series A1(a) and A1(b) on a pari passu basis for the respective amounts outstanding till complete redemption. Payouts to the equity tranche PTC payouts are completely subordinated to the Series A1 payouts.

Reset of credit enhancement

At Clix's request for resetting the credit enhancement, ICRA has analysed the transaction basis the cash collateral (CC) mentioned in the table provided below.

Transaction Name	Current CC Outstanding [A]	CC Required as per ICRA for Maintaining Present Rating [B]	CC that can be Released [C] = 60% * (A - B)	Revised CC Limit [D] = (A - C)
Murakami 2023	1.46	0.73	0.44	1.02

Amount in Rs. crore

Based on the pool's performance, the ratings for the PTCs/asset-backed securities (ABS) will remain unchanged even after the CC amount is reset. However, as per regulatory guidelines, the maximum amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA. The CC reset shall be subject to the approval of the respective investors.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The ratings factor in the build-up of credit enhancement with the CC increasing to 19.2% of the balance pool principal from 5% at the time of securitisation. Internal credit support is also available through the scheduled EIS and subordination of 72.9% for Series A1(a) and 38.4% for Series A1(b) on the balance pool principal.

Healthy pool performance – The pool's performance has been strong with a cumulative collection efficiency of more than ~94% till the August 2024 payout month while the breakeven collection efficiency is lower than the monthly collection efficiency observed in the pool. Further, there has been no instance of CC utilisation in the pool till date owing to the strong collection performance and the presence of EIS.

Credit challenges

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 in this segment tend to be lower.

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 pool, ICRA has estimated the shortfall in the pool principal collection during their tenure at 3.25% with certain variability around it. The average prepayment rate for the pool is modelled in the range of 3.20% to 12.00% 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 rating for the instrument.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Murakami 2023
Originator	Clix Capital Services Private Limited
Servicer	Clix Capital Services Private Limited
Trustee	Catalyst Trusteeship Limited
CC bank	The Federal Bank Limited
Collection and payout account bank	ICICI Bank

Liquidity position

Series A1(a) – Superior

The liquidity for Series A1(a) is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is ~7.25 times the estimated loss in the pool.

Series A1(b) – Strong

The liquidity for Series A1(b) is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is ~4.50 times the estimated loss in the pool.

Rating sensitivities

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

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

Analytical approach

The rating action is based on the performance of the pool till the August 2024 payout month (July 2024 collection month), the present delinquency profile of the pool, the credit enhancement 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 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

Clix (audited)	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

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	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				September 23, 2024	September 12, 2023	May 29, 2023	-	-
Murakami 2023	Series A1(a)	23.68	1.84	[ICRA]AA+(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-
	Series A1(b)	2.63	2.63	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1(a)	Moderately Complex
Series A1(b)	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
Murakami 2023	Series A1(a)	May 24, 2023	10.45%	Apr 16, 2027	1.84	[ICRA]AA+(SO)
	Series A1(b)	May 24, 2023	12.45%	Apr 17, 2027	2.63	[ICRA]A+(SO)

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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