

October 30, 2024

Clix Capital Services Private Limited: Rating actions for PTCs issued under personal loan 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
PL Hedwig Aug 2022	Series A PTC	43.11	14.29	2.55	[ICRA]AAA(SO); upgraded from [ICRA]AA(SO)
PL Pixie 2023	Series A1 PTC	41.50	41.50	8.78	[ICRA]A+(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by personal loan receivables originated by Clix Capital Services Private Limited (Clix / Originator). The rating action factors in the high amortisation of the pools which has led to the build-up of the credit enhancement cover over the future PTC payouts. The available cash collateral (CC) is fully covering the balance PTC payouts of PL Hedwig Aug 2022 transaction as on September 2024 payout month. The rating also draws comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pools till the September 2024 payout month.

Pool performance summary

Parameter	PL Hedwig Aug 2022	PL Pixie 2023
Payout month	September 2024	September 2024
Months post securitisation	24	15
Pool amortisation	88.6%	68.6%
PTC amortisation	94.1%	81.9%
Cumulative collection efficiency	96.8%	97.6%
Cumulative prepayment rate	32.7%	27.9%
Loss-cum-30+ dpd (% of initial pool principal) ¹	4.3%	5.0%
Loss-cum-90+ dpd (% of initial pool principal) ²	2.9%	1.5%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%
CC available (as % of balance pool principal)	96.5%	23.9%
Principal subordination (% of balance pool principal)	52.7%	47.2%
Excess interest spread (EIS) (as % of balance pool principal)	12.0%	15.1%
Breakeven collection efficiency	Nil	26.5%

Transaction structure: PL Hedwig Aug 2022 and PL Pixie 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 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 PTC principal.

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

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

Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed PL Pixie 2023 transaction, basis the credit collateral (CC) mentioned in the table provided below. Based on the pools' performance, the rating for the PTCs will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the PTC investors. However, as per regulatory guidelines, the 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.

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)
PL Pixie 2023	3.40	1.02	1.43	1.97

Amount in Rs. crore

Key rating drivers

Credit strengths

Substantial credit enhancement available in the structure –The ratings factor in the build-up of the credit enhancement as on September 2024 payout month, with the CC increasing to ~24% from the initial level of 7.50% for the PL Pixie 2023 transaction and CC fully covering the future PTC payouts for the PL Hedwig Aug 2022 transaction. Further credit support is also available in the transactions through the EIS and subordination.

Credit challenges

Rising delinquencies in the pool - The monthly collections in the pools have dipped below 90% in recent months which has led to rise in delinquencies even in the harder buckets of 90+dpd for these pools. Nonetheless, the pools have high amortisation, and the breakeven collection efficiency is low when compared to actual collection observed in the pools.

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 in this segment.

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 PL Pixie 2023 pool, ICRA has estimated the shortfall in principal collection during its tenure at 2.50% with certain variability around it. The average prepayment rate for Pixie pool is modelled in the range of 4.8% and 18.0% 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	PL Hedwig Aug 2022	PL Pixie 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	IDBI Trusteeship Services Limited
CC holding Bank	IDFC Bank	IDFC Bank
Collection and payout account Bank	IDFC Bank	IDFC Bank

Liquidity position

For PL Hedwig Aug 2022: Series A PTCs - Superior

The liquidity for Series A PTCs is superior since the available cash collateral fully covers the balance PTC payouts.

For PL Pixie 2023: Series A1 PTC - Superior

The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 10 times the estimated loss in the pool

Rating sensitivities

For PL Hedwig Aug 2022

Positive factors – Not applicable for Series A PTCs.

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

For PL Pixie 2023

Positive factors – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future PTC payouts from the credit enhancement.

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 rating.

Analytical approach

The rating action is based on the performance of the pool till September 2024 payout month (August 2024 collection month), the present delinquency profile of the pools, the credit enhancement available in the pools, 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 Limited (Clix) is a non-banking finance company (NBFC) registered with the Reserve Bank of India (RBI) engaged in providing retail financing products (personal loans, business loans, 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 rebranded as 'Clix'. In April-2022, Clix Finance India Private Limited (CFIPL, erstwhile GE Capital), was merged with Clix.

Following the merger, Clix's offering portfolio comprises micro, small & medium enterprise (MSME), and consumer lending along with healthcare and equipment finance and digital lending (onboarded form CFIPL). Additionally, Clix Housing Finance Private Limited, a wholly owned (subsidiary of Clix), is primarily engaged in housing/mortgage finance products.

Key financial indicators

	FY2023 (Audited)	FY2024 (Audited)	Q1FY2025(Audited)
Total income	703.0	955.0	264.8
Profit after tax	45.0	61.8	29.1
Total managed assets	4,374	5,681	5,931
Gross stage 3	2.4%	1.8%	2.1%
CRAR	37.1%	28.3%	27.7%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	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
					Oct 30, 2024	Nov 17, 2023	Dec 13, 2022	Sep 6, 2022	-
1.	PL Hedwig Aug 2022	Series A PTCs	43.11	2.55	[ICRA]AAA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

Sr. No.	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
					Oct 30, 2024	Oct 27, 2023	Jul 4, 2023	-	-
2.	PL Pixie 2023	Series A1 PTC	41.50	8.78	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
PL Hedwig Aug 2022	Series A PTC	Moderately Complex
PL Pixie 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)	Rating
PL Hedwig Aug 2022	Series A PTC	September 1, 2022	9.75%	February 25, 2027	2.55	[ICRA]AAA(SO)
PL Pixie 2023	Series A1 PTC	June 3, 2023	10.30%	November 15, 2026	8.78	[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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