

April 06, 2022

Clix Capital Services Private Limited: Provisional [ICRA]AA(SO) assigned to PTCs backed by personal loan receivables issued by Nimbus 2022 PL Veneno

Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 PL Veneno	PTC Series A	28.99	Provisional [ICRA]AA(SO); Assigned

*Instrument details are provided in Annexure-1

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

ICRA has assigned a provisional rating to PTC Series A issued under a securitisation transaction originated by Clix Capital Services Private Limited (Clix/Originator). The pass-through certificates (PTCs) are backed by a pool of Rs.40.27-crore personal loan receivables (underlying pool principal of Rs. 31.86 crore).

The provisional rating is based on the strength of the cash flows from the selected pool of contracts as well as the credit enhancement (CE) available in the form of (i) a cash collateral (CC) of 11.0% of the initial pool principal to be provided by the Originator, (ii) a over-collateralisation of 9.00% of the pool principal for PTC Series A, and (ii) the entire excess interest spread (EIS) in the structure. The rating is also based on the integrity of the legal structure and is subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit strengths

- Availability of CE in the form of EIS, over-collateralisation and CC
- Absence of overdue contracts as on pool cut-off date
- Low obligor concentration of the pool

Credit challenges

- The pool has high geographical concentration with top 3 states accounting for around 74% of the pool.
- Average pre-securitisation amortisation (~23%) of the pool as on pool cut-off date
- Rise in delinquencies for personal loan portfolio of Clix due to Covid-19 pandemic
- Pool performance will remain exposed to any fresh disruptions caused by pandemic

Description of key rating drivers highlighted above

The underlying loans follow a monthly payment schedule. As per the transaction structure, the monthly cash flow schedule comprises the promised interest payment to PTC Series A at the predetermined interest rate on the principal outstanding and the entire principal is promised on the final maturity date. The principal is expected to be paid on a monthly basis but is not promised. The EIS available after meeting the promised PTC payments shall flow back to the Originator on every payout date. However, If the Portfolio At Risk (PAR) > 60 in the Pool exceeds 10.00% of the outstanding pool principal, then the EIS shall be utilized to make principal payments to the Series A investors till the Series A1 PTCs are fully extinguished or till the time the PAR > 60 reduces to 10.00%.

The first line of support for PTC Series A in the transaction is in the form of over-collateralisation of 9.00% of the pool principal. Additionally, the EIS available in the structure provides CE support. A CC of 11.0% of the initial pool principal provided by Clix acts as further CE in the transaction. In the event of a shortfall in meeting the promised PTC payouts during any month, the Trustee will utilise the CC to meet the shortfall.

There were no overdues in the pool as on the cut-off date. The pool consists of loans with moderate seasoning, having a weighted average seasoning of 14.8 months and average pre-securitisation amortisation of 23.2%. The pool has high geographical concentration with the top 3 states (Maharashtra, Karnataka and Telangana) accounting for 74.2% of the pool principal. The rating also factors in the rise in delinquencies in the recent months for personal loan portfolio of Clix due to pandemic. However, we expect the delinquencies to reduce with improvement in collections going forward. Also, the pool's performance will remain exposed to any fresh disruptions caused pandemic.

Past rated pools: ICRA has nine other live personal loan pools originated by Clix. The pools which were originated pre-covid witnessed a stress in collections and thus reported higher loss cum 90+ numbers. However, there has not been any CC utilisation in any of the transactions and credit enhancement has built up in all the pools.

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) 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 mean and the coefficient of variation (CoV) are calibrated on the basis of the values observed in the analysis of the past performance of Clix's loan portfolio. Given the short track record of Clix in the personal loan business, ICRA has also taken into account the credit quality experience of other more established players and ICRA's expectation of the credit quality of personal loans. Clix's target borrower segment could be financially vulnerable as well as subject to various seasonality factors. Though the company resorts to legal recourse for some delinquent loans, this may not always be a feasible option particularly given the small ticket size and the unsecured nature of the loans issued.

The resulting collections from the pool – after incorporating the impact of losses and prepayments as above – are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction. Various possible scenarios are simulated and the incidences of default to the investor as well as the extent of losses are measured. These are then compared with ICRA's internal benchmarks for the target rating.

For the current pool, after taking into account the above-mentioned factors regarding the asset class and after adjusting for key features like seasoning, overdue, ticket size, interest rate, bureau score, and geographical distribution, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 6.0-7.0%, with certain variability around it. The prepayment rate in the pool is estimated to be 8.0-12.0% p.a.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the PTC Series A holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available credit enhancement are expected to be comfortable to meet the promised payouts to PTC Series A investors.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the CE cover for the remaining payouts.

Negative factors – Pressure on the rating could emerge with the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher-than-expected delinquency levels and CE utilisation levels.

Analytical approach

The rating action is based on the analysis of the performance of Clix’s portfolio till December 2021, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the CE cover available in the transaction.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned ratings are provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant’s Know Your Customer (KYC) certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the ratings, the provisional rating will be withdrawn in accordance with ICRA’s Policy on Provisional Ratings available at www.icra.in.

About the company

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 comprising AION Capital Partners, Mr. Pramod Bhasin and Mr. Anil Chawla and rebranded as ‘Clix’. Currently, the Clix Group carries out its business through three entities:

- Clix Capital Services Private Limited – Primarily engaged in micro, small & medium enterprise (MSME) and consumer lending
- Clix Finance India Private Limited (subsidiary of Clix Capital Services Private Limited) – Primarily engaged in healthcare and equipment finance and digital lending
- Clix Housing Finance Private Limited (subsidiary of Clix Capital Services Private Limited) – Primarily engaged in housing/mortgage finance products

Key financial indicators

Clix (Standalone)	FY2020 (Audited)	FY2021 (Audited)	H1 FY2022 (Provisional)
Total income	506.44	494.76	229.01
Profit after tax	20.75	3.97	-45.06
Assets Under Management	2,539	3,027	2,604
Gross NPA	1.10%	3.59%	3.97%
Net NPA	0.52%	1.46%	1.45%

Source: Company data; 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 (FY2023)			Chronology of Rating History for the Past 3 Years			
		Instrument Name	Amount Rated (Rs. crore)	Amount Outstanding	Date & Rating in FY2022	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
1	Nimbus 2022 PL Veneno	PTC Series A	28.99	28.99	April 6, 2022 Provisional [ICRA]AA(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
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: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Nimbus 2022 PL Veneno	PTC Series A	April 2022	9.50%	July 2026	28.99	Provisional [ICRA]AA(SO)

* Scheduled maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure-2: 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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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