

Press Release

Clix Capital Services Private Limited

July 06, 2021

Rating Assigned

Total Facilities Rated*	Rs. 633.00 Cr.
Proposed Bank Facilities Rated	Rs. 300.00 Cr.
Long Term Rating	ACUITE AA-/ Outlook: Stable (Assigned)
Proposed Non-Convertible Debentures	Rs. 333.00 Cr.
Long Term Rating	ACUITE AA-/ Outlook: Stable (Assigned)

*Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of **'ACUITE AA-' (read as ACUITE double A minus)** to the Rs. 300.00 Cr. Proposed Bank Facilities of Clix Capital Services Private Limited (CCSPL). The outlook is **'Stable'**.

Further, Acuite has assigned the long term rating of **'ACUITE AA-' (read as ACUITE double A minus)** to the Rs. 333 Cr. Proposed Non-Convertible debentures of Clix Capital Services Private Limited (CCSPL). The outlook is **'Stable'**.

The rating takes into account the strong management team, the presence of experienced promoters, Mr. Pramod Bhasin and Mr. Anil Chawla as well as a competent board backed by the global private equity fund, Apollo Global Management LLC. The rating derives comfort from the association of Apollo Global Management LLC, besides capital support and board representation, since the Group benefits from its oversight and expertise across various sectors and products. With a consolidated net worth of Rs 2082.14 Cr. and moderate gearing of 1.48 times as on March 31, 2021 (provisional), the group is well positioned to support the future growth of its retail lending businesses. While Acuite takes cognizance of the declining loan portfolio at consolidated level, there has been a distinct shift in the portfolio from wholesale to granular retail book. The rating factors in the strategic focus of the group to build a retail oriented portfolio by catering largely to individual and MSME segments by leveraging on technology driven processes and efficient risk management practices to achieve scalability at a faster pace. Its proprietary underwriting model along with its partnership with digital platforms for loan origination has enabled Clix Group to source 83 percent of its new customers digitally.

The rating also takes into consideration, the well diversified resource profile and the group's ability to raise funds from Banks and Financial Institutions. Additionally, the company has a conservative liquidity policy which provides comfort.

The rating is however constrained by limited track record of operations and moderately seasoned portfolio in the retail segment. The company is expanding its retail lending portfolio both secured/ unsecured and has commenced lending since 2017-2018. The second wave of Covid and the induced restrictions have adversely impacted economic activity and consequently asset quality of lending institutions particularly those with high exposure to unsecured lending. While the company has comfortable asset quality; its consolidated 90+DPD increased to 3.37 percent as on March 31, 2021 (1.17 percent as on March 31, 2020). Going forward, the ability of the Clix Group to profitably scale up the business while maintaining the healthy asset quality will be a key monitor-able.

About the Clix Group

Delhi based, Clix Capital Services Private Limited (formerly known as GE Money Financial Services Private Ltd), and Clix Finance India Private Limited, was originally set up by GE Group in 1994. In 2016, Mr Pramod Bhasin and Mr Anil Chawla (promoter holding 15 percent), former top executives at GE India along with the backing from private equity firm AION Capital Partners Limited (85 percent stake) acquired these businesses from GE Group via management buy in arrangement. AION is a joint venture between ICICI Venture Funds and US Headquartered Global private Equity Fund Apollo Global Management LLC, which ended in 2020, and currently, Apollo Global Management LLC is directly managing the Group.

About the CCSPL

Incorporated in February 1994, Clix Capital Services Private Limited is a systematically important Non-Banking Finance Company, with an AUM of Rs 2668.05 Cr. spread across 21 states, 14 Branches with ~84,000 live accounts as of March 31, 2021. Products offered include Corporate Lending, Business Loan, School Finance, and Personal Loans.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Clix Capital Services Private Limited, and its subsidiaries Clix Finance India Private Limited and Clix Housing Finance Limited. (Hereinafter referred to as 'Clix Group') for arriving at the rating. The consolidation is in view of common promoters and management, integrated businesses, shared brand name, and significant operational and financial linkages between these entities.

Extent of Consolidation: Full

Key Rating Drivers

Strengths

- **Experienced Management backed by Global Private Equity Fund**

Clix Capital Services Private Limited (formerly known as GE Money Financial Services Private Ltd), and Clix Finance India Private Limited, was originally set up by GE Group in 1994. In 2016, Mr Pramod Bhasin and Mr Anil Chawla, former top executives at GE India along with backing from private equity firm AION Capital Partners Limited acquired these businesses from GE Group via management buy-in arrangement. AION is a joint venture between ICICI Venture Funds and US Headquartered Global private Equity Fund Apollo Global Management LLC which ended in 2020 and currently, Apollo Global Management LLC is directly managing the Group.

The Board and top management of Clix Group include key management personnel with a long track record, managing both corporate and retail finance, with relevant experience. The promoter Mr Pramod Bhashan, who has 25 years of experience in corporate management, served as the President of GE Capital India till 2009. Mr Anil Chawla, has extensive experience of three decades in corporate lending, private equity and financial services. He had been associated with GE India for 10 years as CEO of GE Commercial Finance and Managing Director of GE India. Mr Utsav Bajjal (Senior Partner and MD at Apollo Global Management Inc) having 20 years of experience in financial services, is on the Board of Clix Capital and Clix Finance. The Board is ably supported by experienced senior management team heading different verticals of the Group with adequate and relevant experience in their respective fields. The Group's housing finance arm, Clix Housing Finance Limited, is spearheaded by Mr Gaurav Pawra, who has 20 years of experience in mortgage business. He had been associated with ICICI Bank till 2017 as Regional Head- Mortgages.

Acuité believes that Clix Group's business profile will benefit from expertise of its top management and the promoters.

- **Adequate Capitalization and Gearing levels and resource raising ability**

With a consolidated net worth of Rs 2082.14 Cr. as on March 31, 2021 (provisional), the group is well positioned to support the growth of its businesses over the medium term (equity infusion of Rs 194 Cr. during FY2020 and Rs 50 Cr. during FY2019). CCSPL's capital position is adequate as reflected in the capital adequacy which stood at 20.96 percent as on March 31, 2021. Also, the consolidated outstanding debt stood at Rs. 3081.16 Cr. as on March 31, 2021 (provisional) translating to gearing ratio of 1.48 times (provisional) (1.73 times as on March 31, 2020). The consolidated borrowings comprises of 55.09 percent borrowings from the Bank and 44.91 percent borrowings via debt securities. The group has well diversified resource profile and demonstrated ability to raise funds from Banks and Financial Institutions as reflected in total Fund raising of Rs ~1 600 Cr during FY2021, of which, securitization transaction stood at Rs~600 Cr; Bank Borrowings at Rs ~600 Cr and Market Borrowings at Rs ~ 400 Cr.

Acuité believes that the company's comfortable capitalization levels and the ability to raise funds will support its growth plans over the medium term.

- **Shift towards granular retail portfolio supported by healthy risk management policies**

Clix, as a part of its conscious strategy, has been de-growing its corporate loan book while simultaneously focusing on growing its retail loan book. The corporate lending segment which constituted ~18 percent of the AUM as on March 31, 2021; declined from ~27 percent as on March 31, 2020 and ~72 percent as on June 2018. As on March 31, 2021, the consolidated GNPA stood at 3.37 percent, mainly on account of rise in NPA's in unsecured portfolio i.e Business loans and Personal loans. However, the Company follows the conservative provisioning policy. ~60 percent of the total provisions are attributed towards the unsecured portfolio, controlling the additional slippages in these portfolios. Additionally, the credit and investment risk management policies and the Liquidity policies of the company were adopted from the GE group which has been improvised by the new management.

Acuité believes that the company's overall growth levels are expected to remain range bound given decline in share of corporate loan portfolio, though offset by growth in retail portfolio supported by healthy risk management policies.

- **Faster scalability of business through technology-driven processes**

The Group has invested in analytics and digital technologies over the years to achieve faster scalability in building retail oriented portfolio. It has employed statistically driven scorecard model for its credit underwriting processes i.e origination, risk assessment and disbursements with minimum manual intervention. Its proprietary underwriting model along with its partnership with digital platforms for loan origination has enabled Clix Group to source 83 percent of its new customers digitally. Resultantly, retail book has grown to Rs 3500 Cr. (~82 percent of the AUM as on March 31, 2021) from Rs 1168 Cr. (~ 28 percent of the AUM as on June 30, 2018).

Acuité takes cognizance of the strategic focus of the Group to build retail oriented portfolio by catering largely to retail and MSME segments by leveraging on technology driven processes and efficient risk management policies to achieve scalability at a faster pace.

Weaknesses

- **Limited track record and moderately seasoned retail loan portfolio**

Clix Group has consolidated AUM of Rs 4249.48 Cr. as on March 31, 2021 (provisional). Since FY2019, the Group has gradually pivoted to retail book from wholesale book with retail portfolio accounting for ~82 percent of the AUM as on March 31, 2021. Clix Capital Services Private Limited commenced its operations in 1994, reported AUM of Rs 2668.05 Cr. as on March 31, 2021 (Rs 3158.97 Cr. as on March 31, 2020) spread across 14 branches in 21 states.

The second wave of Covid induced restrictions have adversely impacted economic activity and consequently, asset quality of lending institutions particularly those with high exposure to unsecured lending. While the company has comfortable asset quality, its consolidated 90+DPD book increased to 3.37 percent as on March 31, 2021 [P.Y.: 1.17 percent], its portfolio is yet to witness business cycles and is moderately seasoned. CCSPL has restructured 10,159 accounts and created provisions of Rs 33.90 Cr against these restructured accounts. Given its limited track record, the ability of the company to manage asset quality while maintaining healthy collections will be a key monitor-able.

Acuite believes that limited track record and moderately seasoned portfolio, in the backdrop of second wave of Covid will continue to weigh on the company's credit profile over the near to medium term.

- **Profitability under pressure due to higher credit costs.**

At Consolidated level, Profit after Tax (PAT) stood at Rs 13.29 Cr. as on March 31, 2021 (provisional) as against Rs 26.33 Cr. as on March 31, 2020. For FY2021, PAT declined on account of decline in the outstanding portfolio coupled with higher credit costs. The company's credit costs increased to Rs 234.86 Cr. during FY2021 (Rs 62.32 Cr. for FY2020), primarily due to higher delinquencies reported in unsecured book comprising business loans and personal loans. The company's conservative lending policy and the accelerated provisioning considering the COVID-19 scenario has impacted the profits. Annualized ROAA as on March 31, 2021 (provisional) stood at 0.24 percent as against 0.61 percent as on March 31, 2020.

On standalone basis, CCSPL reported PAT of Rs 3.97 Cr. as on March 31, 2021 as against Rs 20.75 Cr. as on March 31, 2020. For FY2021, PAT declined on account of decline in the outstanding portfolio coupled with higher credit costs. The company's credit costs increased to Rs 117.88 Cr. during FY2021 (Rs 30.56 Cr. for FY2020). Return on Average Assets (ROAA) declined to 0.09 percent as on March 31, 2021 as against 0.47 percent as on March 31, 2020. The Net Interest Margin (NIM) as on March 31, 2021 stood at 4.83 percent.

Acuite believes that Group's ability to sustain improvement in earning's profile in the current operating environment will be key rating monitor able.

Liquidity Position: Adequate

The company's consolidated unencumbered cash and cash equivalents and cash credit facility stood at Rs.597 Cr. and Rs.35 Cr. respectively as of March 2021 (provisional), while collections for the next 6 months is expected at around Rs 1600 Cr. against the debt obligations of Rs 719 Cr. in H1FY22. The Group has adopted a conservative liquidity policy which adequately covers for near term debt obligations.

Rating Sensitivity

- Any further deterioration in asset quality and profitability.
- Scalability of operations over the medium term.
- Continued support from the major shareholders.

Material Covenants

The Group is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital adequacy.

Outlook: Stable

Acuite believes that Clix Group will maintain a 'Stable' credit profile on the back of continuing support from the shareholders and adequate capital position. The outlook may be revised to 'Positive' in case of significant growth in scale of operations and profitability while maintaining asset quality and capitalization levels. Conversely, the outlook may be revised to 'Negative' in case of any significant deterioration in its asset quality from the current levels or if the Group faces headwinds in scaling up its operations.

About the Rated Entity - Key Financials

CCSPL- Key Financials (Consolidated)

Particulars	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	5605.73	6052.71
Total Income*	Rs. Cr.	448.43	394.14
PAT	Rs. Cr.	26.33	106.25
Net Worth	Rs. Cr.	2018.40	1795.50
Return on Average Assets (RoAA)	(%)	0.45	2.08
Return on Average Net Worth (RoNW)	(%)	1.38	6.10
Debt/Equity	Times	1.73	2.31
Gross NPA	(%)	-	-
Net NPA	(%)	-	-

*Total income equals to Net Interest Income plus other income.

CCSPL- Key Financials (Standalone)

Particulars	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	4465.51	4397.58
Total Income*	Rs. Cr.	224.61	146.72
PAT	Rs. Cr.	20.75	7.41
Net Worth	Rs. Cr.	1897.74	1681.22
Return on Average Assets (RoAA)	(%)	0.47	0.17
Return on Average Net Worth (RoNW)	(%)	1.16	0.44
Debt/Equity	Times	1.33	1.58
Gross NPA	(%)	1.10	4.24
Net NPA	(%)	0.46	0.11

*Total income equals to Net Interest Income plus other income.

Status of non-cooperation with previous CRA (if applicable):

Not Applicable.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Non- Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of Companies- <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs Cr.)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	300.00	ACUITE AA-/ Stable (Assigned)
Proposed Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	333.00	ACUITE AA-/ Stable (Assigned)

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About Acuité Ratings & Research:

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