



Rating Rationale

Clix Capital Services Pvt Ltd

17 June 2020

Brickwork Ratings assigns BWR AA-/Negative rating to the proposed NCD issue of Clix Capital Services Pvt Ltd

Particulars:

Instrument	Amount rated (Rs in Cr)	Tenure	Rating
NCD	150	Long Term	BWR AA-/ Negative
Total	150	INR One Hundred and Fifty Crore Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Assignment

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) assigns the rating of BWR AA-/Negative outlook for the proposed Non-Convertible Debenture (NCD) issues of Clix Capital Services Pvt Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

For arriving at its rating, BWR has consolidated the business and financial risk profiles of Clix Capital Services Pvt Ltd (Clix Capital or the company), its subsidiaries Clix Finance India Pvt Ltd (Clix Finance) and Clix Housing Finance Pvt Ltd (Clix Housing). The consolidated approach is because Clix Finance and Clix Housing are 100% subsidiaries of Clix Capital and benefits from a common management oversight and a strong operational and financial integration.

BWR has principally relied on audited financials upto FY19, unaudited financials of FY20, publicly available information and information/clarifications provided by the company.



The rating inter alia factors in Clix Capital's strong sponsor profile and experienced management, healthy capitalization, diversified resource profile and satisfactory asset quality. The ratings are however, constrained by the moderate scale of operations, risk emanating from exposure to relatively riskier unsecured SME and consumer loans segment funding.

The Negative outlook is on account of an expected impact of collections and recovery from loan assets of Clix Capital consolidated, due to the COVID-19 impact, mainly on the SME and consumer finance product segments, which is an industry wide issue, and the resultant impact on the overall credit profile of Clix Capital over the near term.

Description of Key Rating Drivers

Credit Strengths:

- **Strong sponsor profile and experienced management:** Clix Capital is backed by AION Capital Partners Limited (AION Capital), having a majority shareholding in the company. AION Capital is a strategic partnership between Apollo Global Management LLC and ICICI Venture Funds Management Company. Clix capital and its subsidiaries are expected to benefit from the backing of a strong sponsor, high level of involvement of its principal promoters and their expertise in the financial services space. The board and top management of Clix Capital and its subsidiaries include key management personnel with a long track record, managing both corporate and retail finance, with significant and relevant experience. The promoters, Mr. Pramod Bhasin and Mr. Anil Chawla, has extensive experience in building and running similar businesses and has been associated with General Electric (GE) NBFCs and Genpact for several years in the past.
- **Healthy capitalisation:** Clix Capital and its subsidiaries capital position is healthy as reflected in the capital adequacy levels of all three companies which are well above the regulatory requirement i.e. Clix Capital had a Capital to Risk Weighted Assets Ratio (CRAR) of ~27.3%, Clix Finance had a CRAR of ~44.5% and Clix Housing had a CRAR of ~41.5%, as of 31 March 2020. Clix Capital had a consolidated net worth of Rs 1795.5 Cr as of 31 March 2019 which was further augmented by equity raising of Rs 194 Cr in the financial year 2020. Overall gearing on a consolidated level is expected to be low at < 2.5x as on 31 March 2020, as against 2.3x as on 31 Mar 2019. BWR believes Clix Capital's capitalisation profile is comfortable to cover for any asset risks and to pursue portfolio growth over the medium term.
- **Well diversified resource profile:** As of end of March 2020, Clix Capital consolidated borrowing was approx. Rs 3400 Crores with ~53% of borrowings from banks/NBFCs and ~47% of borrowings via Capital market instruments. Clix Capital has demonstrated good debt raising capability over the period at competitive rates, with the repayment tenor being long-term in nature.



- **Comfortable asset quality:** The asset quality of Clix Capital consolidated is comfortable, as reflected in the gross non-performing assets (NPAs) improving to ~1.4% as per 31 Mar 2020, from 2.5% as on 31 March 2019. NPA was contributed primarily from a single high-ticket exposure loan, where the legal proceedings are in progress. On a standalone basis, Clix Capital has a low gross NPA of ~1.2%, Clix Finance has a moderate gross NPA of ~2.2% and Clix Housing has nil gross NPA as per 31 March 2020. Additionally, the transition of Clix Capital consolidated portfolio from a 100% corporate lending book as of FY17 to a ~73% retail lending portfolio as of 31 March 2020, has reduced the portfolio risk emanating due to high ticket exposures. Clix Capital's ability to manage asset quality as it scales business across product segments will be a key rating monitorable.

Credit Risks:

- **Risk emanating due to exposure to SME and consumer loans:** Coronavirus disease (COVID-19), declared a pandemic by the World Health Organization (WHO), has become a full-blown crisis globally, including in India. COVID-19 has impacted the domestic economy of India, as the nation had gone into lockdown from 24 March 2020 onwards (later converted to partial lockdown in various states). Due to the economic slowdown, retail low-income borrower segments, self-employed professionals and SME businesses, among others are expected to be impacted.

Clix Capital consolidated had approximately 26% exposure on SME and 24% exposure on consumer finance businesses as of 31 March 2020. With moratorium extension, the SME and consumer loans segments may witness potential stress on collections in the near term. However, the overall impact on the portfolio performance of Clix Capital and its subsidiaries is expected to be limited due to COVID-19 crisis, and the same will remain a key rating monitorable.

- **Moderate scale of operations:** Clix Capital consolidated has Assets Under Management (AUM) of ~Rs 4600 Crores, with operations spread across 15 states as of 31 March 2020. The company is in a growth phase, and is expanding its portfolio on retail lending, while reducing its exposures on corporate loans. The vintage of Clix Capital consolidated on the retail lending portfolio is limited, and the performance of the same will remain a key rating monitorable. The company's ability to build its retail loan portfolio including that in Clix Housing Finance will be a key monitorable.

Analytical Approach

For arriving at its ratings, BWR has combined the business and financial risk profiles of Clix Capital Services Pvt Ltd, its subsidiaries Clix Finance India Pvt Ltd and Clix Housing Finance Pvt Ltd, and has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES

Clix Capital and its subsidiaries ability to maintain the asset quality, liquidity position, earnings profile and portfolio growth will be key rating sensitivity factors. The rating is also sensitive to any large acquisitions or merger by Clix Capital and its subsidiaries.

Positive: The rating may be revised upwards if Clix Capital consolidated shows steady and strong growth, while also improving in terms of asset quality and profitability.

Negative: The rating outlook may be revised to Negative if Clix Capital consolidated performance is lower than expectations, in terms of asset quality, liquidity, business growth, profitability, and capital adequacy.

Coronavirus disease (COVID-19), declared a pandemic by the World Health Organization (WHO), has become a full-blown crisis globally, including in India. COVID-19 has impacted the domestic economy of India, as the nation had gone into lockdown 24 March 2020 onwards (later converted to partial lockdown in various states). As per BWR, financial institutions, mainly those lending to retail low-income borrower segments could be the most impacted. The 6-month moratorium announced by the Reserve Bank of India, on interest and principal on bank debt, will provide some cushion to the lending community to realign its collection mechanism and operations during this period. However, lenders' ability to ensure credit discipline among borrowers, as the 6-month moratorium ends, and to collect accumulated interest and principal dues on a timely basis, after this period will be a key monitorable. BWR is actively engaging with its clients on a continuous basis and taking updates on the impact of its operations and liquidity situation. BWR will take appropriate rating actions as and when it deems necessary and will publish the same.

Liquidity Profile: Adequate

As per the ALM profile dated 31 March 2020, Clix Capital and Clix Finance have comfortable liquidity positions with positive cumulative gaps in all the time buckets. Clix Capital at a consolidated level, continues to maintain an adequate liquidity buffer for a 2 to 3-month period. Also, the company continues to demonstrate good debt raising capability in Q1 FY21 at competitive rates from banks and other financial institutions.

About the Company

Clix Capital Services Private Limited (formerly known as GE Money Financial Services Pvt Ltd), is a Systemically Important Non-Banking Finance Company (NBFC-ND-SI), incorporated in February 1994 by General Electric.

Clix Capital and Clix Finance were the NBFC arm of General Electric (GE) in India, which started its operations in 1994 under two entities – GE Capital Services India and GE Money Financial Services Pvt. Ltd. In April 2015, GE exited its global financial services business. In September 2016, a consortium



comprising AION Capital Partners (part of Apollo Global Management), along with Mr. Pramod Bhasin (founder and ex-CEO of Genpact, ex-CEO of GE Capital) and Mr. Anil Chawla (ex-CEO of GE Commercial Finance) acquired the financial business of GE. GE Capital and GE Money were rebranded as Clix Finance and Clix Capital, while retaining the senior management roles to ensure smooth transition. Clix Housing was a new entity added to focus on mortgage/ housing finance products. Clix Finance and Clix Housing are 100% subsidiaries of Clix Capital.

Clix Capital consolidated has a well-diversified portfolio with a consolidated AUM of approx. Rs 4600 Cr as of 31 March 2020. The asset class mix includes Corporate Lending (27% of consolidated portfolio), SME (26% of consolidated portfolio), Consumer Loans (24% of consolidated portfolio), Healthcare Financing (10% of consolidated portfolio), Auto Lease and Two-wheeler (7% of consolidated portfolio) and Housing (5% of consolidated portfolio).

Clix Capital Services Private Limited is a Systemically Important Non-Banking Finance Company (NBFC-ND-SI), with an AUM of ~ Rs 3130 Crs, and operations spread across 14 states, 16 branches with over 87k live accounts as of 31 March 2020. Products offered include Corporate Lending, SME Lending – (Business Loans, Loan against Electronic payments, School Finance), Retail Lending – (Personal Loans, Two-wheeler Loans).

Clix Finance India Private Limited is a NBFC, with an AUM of ~ Rs 1423 Crs, and with operations spread across 15 states, 17 branches, with over 85k live accounts as of 31 March 2020. Products offered include Healthcare/Equipment financing, Digital Retail Lending (Personal Loans, Auto Lease).

Clix Housing has a portfolio of ~ Rs 226 Crs, spread across 6 states and 8 branches as of 31 March 2020. Products offered include Home loans (~74% of the portfolio), Loan Against Property (LAP) & Commercial LAP.

Clix Capital Financial Performance

As per FY20 unaudited numbers, Total income from operations is at ~ Rs 483 Cr in FY 20 (at Rs 343 Cr in FY19). Earning indicators are moderate, but on an improving trajectory with the ROA at ~ 1.3% as of FY20 (at ROA of 0.3% in FY19). The NIM has improved to approximately 7.1% in FY20 from 5.5% in FY19, due to an increase in yield by approx. 2.7% during the period.

Particulars	Units	FY17	FY18	FY19
		Audited (IGAAP)	Audited (IndAs)	Audited (IndAs)
Net worth	Rs. Crores	1668.7	1672.2	1681.2
Revenue from operations	Rs. Crores	41.65	92.7	343.2
PAT	Rs. Crores	3.57	11.6	7.4
AUM	Rs. Crores	705	2031	2958
CRAR	%	80.2	33.1	21.2
GNPA	%	19.8	5.6	4.2

Key Financial Figures (Clix Capital -Consolidated)			
Particulars	Units	FY18	FY19
		Audited	Audited
Net worth	Rs. Crores	1687.76	1795.5
Revenue from operations	Rs. Crores	298.81	673.76
PAT	Rs. Crores	28.3	106.25
AUM	Rs. Crores	3552.4	5109.5
GNPA	%	3.2%	2.5%

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (June 2020)			Rating History		
		Type	Amount (Rs Crores)	Rating	2019	2018	2017
1	NCD	Long term	150	BWR AA- /Negative	-	-	-
	Total		150	Rupees One Hundred and Fifty Crore Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks and Financial Institutions](#)
- [Basel III Compliant Instruments](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media & Investor Contact
<p>Abin Rasheed Senior Analyst +91 80 40409940 Extn 364 abin.r@brickworkratings.com</p> <p>Vydianathan Ramaswamy +91 022 67456660 Director & Head – Financial Sector Ratings vydianathan.r@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons