

## Press Release

### Clix Housing Finance Limited

July 06, 2022



### Rating Reaffirmed & Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE AA-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	50.00	ACUITE AA-   Reaffirmed & Withdrawn	-
Non Convertible Debentures (NCD)	50.00	ACUITE AA-   Negative   Reaffirmed   Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	150.00	-	-
Total Withdrawn Quantum (Rs. Cr)	50.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) to the Rs. 100.00 Cr. bank facilities of Clix Housing Finance Limited (CHFL). The outlook is revised from '**Stable**' to '**Negative**'.

Acuite has reaffirmed & withdrawn the long term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) to the Rs. 50.00 Cr. of Bank Facilities Clix Housing Finance Limited (CHFL). The rating is being withdrawn on account of request received from the company and as per Acuite's withdrawal policy.

Further, Acuite has reaffirmed the long term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) to the Rs. 50.00 Cr. proposed non-convertible debentures of Clix Housing Finance Limited (CHFL). The outlook is '**Stable**' to '**Negative**'.

The revision in outlook is on account of moderation in earning profile, deterioration in asset quality and decline in AUM during FY2022. The Clix reported a loss of Rs. 90.10 Cr. for FY2022 (provisional) on account of high credit costs following a write off of ~Rs. 283 Cr. and an overall decline in Net Interest Income (NII) due to decline in AUM. The AUM on a consolidated levels declined to Rs. 3,711 Cr. as on March 31, 2022 (provisional) from Rs. 4,249 Cr. as on March 31, 2021. The revision in outlook also takes in to account the deterioration in asset quality marked by Gross Non-Performing Assets (GNPA) of 4.92 percent as on March 31, 2022 (provisional) as compared to 3.39 percent as on March 31, 2021. The on-time portfolio stood at 83 percent as on March 31, 2022.

The rating continues to take 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 1996.29 Cr. and moderate gearing of 1.38 times as on March 31, 2022 (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. Going forward, the ability of the Clix Group to profitably scale up the business while maintaining the healthy asset quality will be a key monitorable.

## About CHFL

Clix Housing Finance Limited, a wholly owned subsidiary of Clix Capital, is a housing finance company, registered with the National Housing Bank (NHB). The company was incorporated in 2016 and commenced its operations in 2018. Clix Housing Finance Limited added as a new entity to focus on mortgage and housing finance products. It benefits from capital infusion by, and synergies with, Clix Capital Services Private Limited.

## 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. In 2022, for simplifying its corporate structure, the company merged its subsidiary Clix Finance India Pvt. Ltd. with main entity Clix Capital.

## 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

### Strength

#### 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 around 3 decades 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 Clix group's CEO, Mr. Rakesh Kaul has over 2 decades of experience in Financial Services. 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.

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 1996.29 Cr. as on March 31, 2022 (Provisional), the group is well positioned to support the growth of its businesses over the medium term (equity infusion of Rs 50 Cr. during FY2021 and Rs 194 Cr. during FY2020). CCSPL's capital position is adequate as reflected in the capital adequacy which stood at 35.76 percent as on March 31, 2022. Also, the consolidated outstanding debt stood at Rs. 2759 Cr. as on March 31, 2022 (Provisional) translating to gearing ratio of 1.38 times (Provisional) (1.48 times as on March 31, 2021). The consolidated outstanding borrowings comprises of ~65 percent borrowings from the Bank and ~35 percent borrowings via Financial Institutions. 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. 1800 Cr. during FY2022 in the form of Term Loans, NCD/MLD and securitization.

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**

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, 2022 corporate lending segment stood 7 percent of the AUM. The consolidated GNPA stood at 4.92 percent as on March 31, 2022 (provisional) 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 3180 Cr. in FY2022 (~86 percent of the AUM as on March 31, 2022) from Rs 2537 Cr. in FY2020.

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.

## **Weakness**

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

Clix Group has consolidated AUM of Rs 3711 Cr. as on March 31, 2022 (Provisional). Since FY2019, the Group has gradually pivoted to retail book from wholesale book with retail portfolio accounting for ~86 percent of the AUM as on March 31, 2022. 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. The company's consolidated 90+DPD book increased to 4.92 percent as on March 31, 2022 [P.Y.: 3.39 percent] and is moderately seasoned. CCSPL has restructured 6,352 accounts having an outstanding balance of Rs 428 Cr. as on March 31, 2022 and created provisions of Rs 132 Cr against these restructured accounts. Collection efficiency on secured restructured book reached 75% while for unsecured restructured book stood at only 60% as on May 2022. Given its limited track record, the ability of the company to manage asset quality while maintaining healthy collections will be a key monitorable.

Acuité 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 (90.10) Cr. as on March 31, 2022 (provisional) as against Rs 12.86 Cr. as on March 31, 2021. For FY2022, PAT declined on account of decline in the outstanding portfolio coupled with higher credit costs. The company's credit costs increased to Rs 282.66 Cr. during FY2022 (Rs 232.22 Cr. for FY2021), 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 ROAA as on March 31, 2022 (provisional) stood at (1.76) percent as against 0.24 percent as on March 31, 2021. On standalone basis, CHFL reported PAT of Rs 2.50 Cr. as on March 31, 2022 as against Rs 3.09 Cr. as on March 31, 2021. The profitability declined on account of decrease in the Loan portfolio enabling the higher revenue. Return on Average Assets (ROAA) declined to 0.92 percent as on March 2022 as against 1.30 percent as on March 31, 2021 due to decrease in earning assets coupled with decrease in interest come. The Net Interest Margin (NIM) as on March 31, 2022 stood at 7.78 percent as on March 31, 2022.

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

### **ESG Factors Relevant for Rating**

Clix Housing Finance Limited (CHFL) belongs to the housing finance sector which complements banks' efforts in improving mortgage penetration in India. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contribution to financial inclusion and community development, responsible financing including funding of environmentally friendly housing projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. The Clix group board comprises of a total of seven directors. The executive chairman of the board is Dr Pramod Bhasin who has around 3 decades of experience in financial lending. The group companies maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. The group companies also maintains adequate level of transparency with regards to business ethics issues like related party transactions, investors

grievances, litigations, and regulatory penalties for the group, if relevant. In terms of its social impact, CCSP is actively engaged in community development programmes through its CSR activities.

### Rating Sensitivity

- Movement in profitability metrics and sustenance of the same
- Scalability of operation reflected in growth in AUM and disbursement levels
- Movement in the asset quality and collection efficiency
- Performance of the restructured portfolio
- 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.

### Liquidity: Adequate

The company's consolidated unencumbered cash and cash equivalents and cash credit limits stood at ~ Rs. 252 Cr. and ~Rs. 56 Cr. respectively as of March 2022 (provisional), As per ALM Statement dated March 31, 2022 collections for the the next 12 months is expected at around Rs 1349 Cr. against the debt obligations of Rs 900 Cr. in FY22 for Clix Capital Services Private Limited. The Group has adopted a conservative liquidity policy which adequately covers for near term debt obligations.

### Outlook: Negative

Acuité believes that Clix Group's credit profile will be under pressure on account of significant impairment in asset quality. The outlook may be revised to 'Stable' in case the Group is able to demonstrate a significant improvement in asset quality and profitability. The rating may be downgraded if the group reports higher than expected deterioration in asset quality and profitability. Any decline in AUM or capitalization will also impart a negative bias to the rating.

### Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	274.82	269.09
Total Income*	Rs. Cr.	19.11	15.09
PAT	Rs. Cr.	2.50	3.09
Net Worth	Rs. Cr.	54.24	51.61
Return on Average Assets (RoAA)	(%)	0.92	1.30
Return on Average Net Worth (RoNW)	(%)	4.73	6.18
Debt/Equity	Times	3.79	3.80
Gross NPA	(%)	3.12	0.56
Net NPA	(%)	2.21	0.39

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

### Key Financials - Consolidated

Particulars	Unit	FY22 (Prov)	FY21 (Actual)
Total Assets	Rs. Cr.	4913.86	5315.44
Total Income*	Rs. Cr.	392.16	484.73
PAT	Rs. Cr.	(90.10)	12.86
Net Worth	Rs. Cr.	1996.29	2081.71
Return on Average Assets (RoAA)	(%)	(1.76)	0.24
Return on Average Net Worth (RoNW)	(%)	(4.42)	0.63
Debt/Equity	Times	1.38	1.48
Gross NPA	(%)	4.92	3.39
Net NPA	(%)	1.44	1.54

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

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

Not Applicable

**Any other information**

Not Applicable

**Applicable Criteria**

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jul 2021	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE AA-   Stable (Assigned)
	Proposed Term Loan	Long Term	150.00	ACUITE AA-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	INE0DLP07024	Non-Convertible Debentures (NCD)	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE AA-   Negative   Reaffirmed   Stable to Negative
Not Applicable	INE0DLP07016	Non-Convertible Debentures (NCD)	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE AA-   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE AA-   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	46.10	ACUITE AA-   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE AA-   Reaffirmed & Withdrawn
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE AA-   Negative   Reaffirmed   Stable to Negative
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	3.64	ACUITE AA-   Negative   Reaffirmed   Stable to Negative

Sundaram Home Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	15.00	ACUITE AA-   Negative   Reaffirmed   Stable to Negative
Hinduja Housing Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	29.75	ACUITE AA-   Negative   Reaffirmed   Stable to Negative
Hero Housing Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	3.51	ACUITE AA-   Negative   Reaffirmed   Stable to Negative



## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Shreyans Mehta Assistant Manager-Rating Operations Tel: 022-49294065 <a href="mailto:shreyans.mehta@acuite.in">shreyans.mehta@acuite.in</a>	

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.