



July 07, 2023

National Stock Exchange of India Limited Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai–
400051

Dear Sir/Madam,

Sub: Intimation regarding rating communication received from Acuite Ratings for Clix Housing Finance Ltd.

We hereby enclose the latest rating communication received from Acuite Ratings wherein they have changed our rating from AA- (negative) to A+ (Stable).

Please note that we have appealed against this rating action owing to the explanation given in the annexure enclosed, however outcome of the appeal is yet to be known.

Also, we would like to place on records our clarification mentioned in the annexure with respect to the reasons mentioned in the rating rationale

For Clix Housing Finance Ltd.


Authorised signatory

Clix Housing Finance Limited

(Formerly known as Clix Housing Finance Pvt. Ltd.)

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Annexure

Regarding the recent credit rating change of Clix Capital by Acuite Ratings, we would like to provide you with a detailed explanation on our improvement across key parameters in FY 23 including AUM growth, Credit Quality and Profitability.

AUM Growth

- Remarkable & sustained growth seen in Assets Under Management (AUM) in the Core MSME book
- Core book **has grown at a CAGR of 45% over the past three years**
- The overall book has also grown by 16% in FY 23 despite the run-down in the wholesale lending and other discontinued segments from Rs.1,019 Cr in FY22 to Rs.468 Cr in FY 23

AUM	FY 21	FY 22	FY 23
Core Book	1,791	2,607	3,791
% Growth		46%	45%
Overall	4150	3660	4259
% Growth		-12%	16%

*Discontinued products have seen their AUM decline from 2359 Cr in FY 21 to 468 Cr in FY 23 led by shift in strategy from wholesale lending to MSME Lending.
Core Book now constitutes ~90% of overall portfolio.*

Asset Quality and Credit Costs

- **The Company's proactive risk management and monitoring measures** have seen Credit costs come down very sharply across parameters
- The **performance of the Core book on asset quality has been even more impressive**
- GNPA on Core book down from **3.6% to 1.5%** & on Overall book down from **5% to 2.5%** in FY 23
- GNPA (inclusive of write-offs) on Core book down from **5% to 2.6%** & on overall book down from **11.7% to 5.5%**

	FY 21	FY 22	FY 23
Core book performance			
Stage 2 book as a % of Core Book	4.8%	6.6%	3.2%
GNPA (Stage 3 book) as a % of Core Book	2.5%	3.6%	1.5%
GNPA including Write-offs	3.4%	5.0%	2.6%
Overall book performance			
Stage 2 Book as a % of AUM	5.3%	6.1%	3.3%
GNPA (Stage 3 book) as a % of AUM	3.5%	5.0%	2.5%
GNPA inc. Write-offs	4.7%	11.7%	5.5%

Write-offs do not include write-offs on Partnership products which do not have any impact on profitability due to the structure in place with the partners

Profitability and Return on Assets (ROA):

- Very sharp improvement in profitability in FY 23 led by growth in Core book AUM & decline in Credit costs demonstrating our resilience (**Loss of 98 Cr in FY 22 to adjusted PAT of 48 Cr in FY 23**) (*reported PAT of Rs. 28.33 Cr was due to exceptional MAT reversal impact taken in FY 23 that has helped the company to move to 25% tax bracket from the earlier 35%*).
- **375 bps** swing in Return on Assets from a **-1.93%** in FY 22 to a positive **1.2%** in FY23

- This positive trajectory showcases the company's enhanced efficiency in generating returns from its assets

Other key metrics also continue to be exhibit strength of the company:-

- Strong Promoter backing and highly experienced Leadership team
- Very experienced and independent Board governance
- Very strongly capitalised at 37% CRAR
- Leverage of 1.6 times
- Cumulative Positive ALM across maturity buckets

In conclusion, the reported numbers for FY23 clearly indicate that Clix has made significant improvements across all key metrics since FY22 and remains firmly on a growth trajectory. The company has experienced substantial growth in AUM, profitability, ROA and has substantially improved its asset quality. These achievements underscore our commitment to sound financial management and long-term value creation.



Press Release
CLIX HOUSING FINANCE LIMITED
July 06, 2023
Rating Downgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	Not Applicable Withdrawn	-
Non Convertible Debentures (NCD)	40.00	ACUITE A+ Stable Downgraded Negative to Stable	-
Non Convertible Debentures (NCD)	10.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	40.00	-	-
Total Withdrawn Quantum (Rs. Cr)	110.00	-	-

Rating Rationale

Acuite has withdrawn rating on the Rs. 100.00 Cr. bank facilities of Clix Housing Finance Limited (CHFL). The rating is being withdrawn on account of request received from the company and NOC received from the banker as per Acuite's withdrawal policy.

Acuite has downgraded the long-term rating to '**ACUITE A+**' (read as **ACUITE A plus**) from '**ACUITE AA-**' (read as **ACUITE double A minus**) to the Rs. 40.00 Cr. non-convertible debentures of Clix Housing Finance Limited (CHFL). The outlook is revised from 'Negative' to '**Stable**'.

Acuite has withdrawn rating on the Rs. 10.00 Cr. proposed non-convertible debentures of 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.

Reason for downgrade

The downgrade is on account of modest earning profile, continued elevated credit costs and modest growth in AUM levels over the last three years through FY 2023. Clix Capital Services Private Limited reported a Profit After Tax (PAT) of Rs. 24.41 Cr. in FY2023 vis-a-vis Rs. (93.31) Cr. in FY2022 and Rs.9.4Cr in FY 2021 on account of higher operating costs, write-offs and provisions. Acuite however also takes note of the one-time MAT (Minimum Alternate Tax) credit impact of Rs. 20.54 Cr during FY2023. Clix Capital's operating expense to earning assets remain in the range of 5.18%-5.65% during the last three years through FY 2023. Acuite also observes significant deterioration in the asset quality indicators, the GNPA and write-offs as a percentage of AUM remained high over the last three years and currently stands at 7.83% (consolidated basis) as on March 31, 2023 post peaking at 12.73% as on March 31, 2022. On a consolidated basis, the GNPA stood at 2.48% in FY 2023 as compared to 4.99% in the previous year. While the GNPA levels improved in FY 2023 compared to FY 2022, it remains modest compared to its peer group. Furthermore, the downgrade also factors the continued elevated costs for the Clix group. At a consolidated level, write offs for the year stood at ~Rs. 227.79 Cr as against ~Rs.283.02 Cr in FY2022. Acuite takes note of that the write-offs in FY 2023 also includes the write-offs on partnership products amounting to Rs.103 Cr. The on-time portfolio stood at 89 percent as on March 31, 2023 as against 83 percent as on March 31, 2022.

The growth in AUM levels of the company has remained muted over the last three years, and has witnessed a compounded annual growth rate (CAGR) of around 2.0% over the same period. The company reported an AUM of Rs. 4,374 Cr. as on March 31, 2023 as compared to Rs. 4,188 Cr as on March 31, 2021. During FY2022, the AUM of CSPL declined on account of a distinct shift in strategy from wholesale to granular retail book. (The AUM stood at Rs. 3650.29 Cr. as on March 31, 2022). Acuite observes that while the core retail book in FY 2023 has grown at around 30% compared to the last year, the run-down of the existing wholesale book has restricted any meaningful growth in the overall AUM. The limited growth in AUM has led to lower net interest income which remains restricted at around Rs.300 Cr in FY 2023 as compared to Rs.270 Cr in FY 2022.

The rating continues to factor 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 and addition of three new independent directors on the board. 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 2025.46 Cr. and moderate gearing of 1.66 times as on March 31, 2023, the group is well positioned to support the future growth of its retail lending businesses.

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

Extent of Consolidation

•Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Clix Capital Services Private Limited, and its subsidiary 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.

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 Bhasin, 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.

Further, the company has appointed three new Independent Directors having deep domain expertise. Mr. Chander Mohan Vasudev as Secretary in Department of Banking (Ministry of Finance), Expenditure and economic affairs. Ms. Anuradha Bajpai has an experience of over 3

decades in the field of Audit and Assurance having worked as a consultant with Deloitte, Haskins and Sells. Mr Ajay Candade is the Managing Partner and co-founder of Fractal Growth Partners, a scale-up focused investor in technology-enabled businesses, he was previously co-lead of KKR's Private Equity team in India.

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 2025.46 Cr. as on March 31, 2023, the group is well positioned to support the growth of its businesses over the medium term. CCSPL's capital position is adequate as reflected in the capital adequacy which stood at 37.08 percent as on March 31, 2023. Also, the consolidated outstanding debt stood at Rs. 3368.59 Cr. as on March 31, 2023 translating to gearing ratio of 1.66 times (1.39 times as on March 31, 2022). The group has well diversified resource profile and demonstrated ability to raise funds from Banks and Financial Institutions 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 & technology driven processes.

Clix, as a part of its conscious strategy, has been reducing its corporate loan book while simultaneously focusing on growth of its retail loan book. The corporate lending segment has now reduced to ~2.28 percent as on March 31, 2023 from 17.5% in FY 2021. Consequently, the company has increased the exposure towards School and Business loans which collectively constitute ~48.75 percent of the loan portfolio. 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.

Acuité believes that the company's focus towards retail book is likely to augur well over the near to medium term.

Weakness

Moderately seasoned retail loan portfolio

Clix Group has consolidated AUM of Rs 4257 Cr. as on March 31, 2023. Since FY2019, the Group has gradually pivoted to retail book from wholesale book with retail portfolio now accounting majority of the portfolio. CCSPL has restructured 2,190 accounts having an outstanding balance of Rs 248.7 Cr. as on March 31, 2023 and created provisions of Rs 30 Cr against these restructured accounts. Given the limited seasoning of the retail book, the ability of the company to manage asset quality while maintaining healthy collections will be a key monitorable.

Acuité believes that limited seasoning of the portfolio, will continue to weigh on the company's credit profile over the near to medium term.

Profitability under pressure due to higher credit costs

On a consolidated level, Profit after Tax (PAT) stood at Rs 28.33 Cr. as on March 31, 2023 as against a loss of 98.47 Cr as on March 31, 2022. For FY2022, PAT declined on account of decline in the outstanding portfolio coupled with higher credit costs. During FY2023, the company reported profits which was aided by overall reduction in the provisions and write offs during that year. The write offs for the year stood at ~Rs. 227.79 Cr as against ~Rs.283.02 Cr in FY2022. The profitability indicators stood moderated marked by a RoAA of 0.54 percent as on March 31, 2023 remaining significantly lower than its peer group average. The ROAA however has improved however from -1.93% in the previous year. On standalone basis, CHFL reported PAT of Rs 2.96 Cr. as on March 31, 2023 as against Rs 2.50 Cr. as on March 31, 2022. The profitability has grown marginally in the housing arm on account of decrease in the overall loan portfolio. The Net Interest Margin (NIM) as on March 31, 2023 stood at 7.81 percent.

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

ESG Factors Relevant for Rating

Clix Capital Services Private Limited (CCSPL) belongs to the Non-Banking Financial Companies (NBFC) sector which complements bank lending in India. Some of the material governance issues for the sector are policies and practices with regards 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 contributions to financial inclusion and community development, sustainable financing

including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. CCSPL has been focusing on SME loans which supports financial inclusion by financing of smaller businesses. The Clix group board comprises of a total of seven directors . The executive chairman of the board is Mr. Chander Mohan Vasudev who has worked in Ministry of Finance, Government of India as Secretary in Department of Banking, Expenditure and economic affairs. 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, CCSPL 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
- Financial performance of the company vis-à-vis its peers 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 Position

Adequate

The company's consolidated cash and bank balance stood at Rs. 675 Cr. as of March 2023. As per ALM Statement dated March 31, 2023, company's near-term liquidity position is well managed with positive mismatches in individual buckets. The Group has adopted a conservative liquidity policy which adequately covers for near term debt obligations.

Outlook - Stable

Acuité believes that Clix Group's credit profile will remain supported by the extensive experience of its management and adequate capitalisation levels and resource raising ability. The outlook may be revised to 'Positive' in case the Group is able to demonstrate a significant improvement in asset quality and profitability. Conversely, The outlook may be revised to 'Negative' 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.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	137.82	274.82
Total Income*	Rs. Cr.	14.04	19.11
PAT	Rs. Cr.	2.96	2.50
Net Worth	Rs. Cr.	57.29	54.24
Return on Average Assets (RoAA)	(%)	1.43	0.92
Return on Average Net Worth (RoNW)	(%)	5.30	4.73
Debt/Equity	Times	1.25	3.79
Gross NPA	(%)	0.06	0.03
Net NPA	(%)	0.04	0.02

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

Key Financials (Consolidated)

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
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Total Assets	Rs. Cr.	5657.17	4908.93
Total Income*	Rs. Cr.	414.58	386.74
PAT	Rs. Cr.	28.33	(98.47)
Net Worth	Rs. Cr.	2025.46	1988.30
Return on Average Assets (RoAA)	(%)	0.54	(1.93)
Return on Average Net Worth (RoNW)	(%)	0.53	(2.07)
Debt/Equity	Times	1.66	1.39
Gross NPA	(%)	2.48	4.99
Net NPA	(%)	1.58	1.51

*Total income equals to Net Interest Income plus other income

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

None

Any Other Information

None

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-60.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jul 2022	Proposed Non Convertible Debentures	Long Term	10.00	ACUITE AA- Negative (Reaffirmed)
	Proposed Term Loan	Long Term	50.00	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	3.64	ACUITE AA- Negative (Reaffirmed)
	Term Loan	Long Term	29.75	ACUITE AA- Negative (Reaffirmed)
	Non Convertible Debentures	Long Term	10.00	ACUITE AA- Negative (Reaffirmed)
	Proposed Term Loan	Long Term	46.10	ACUITE AA- Negative (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE AA- Negative (Reaffirmed)
	Term Loan	Long Term	3.51	ACUITE AA- Negative (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE AA- Negative (Reaffirmed)
	Non Convertible Debentures	Long Term	30.00	ACUITE AA- Negative (Reaffirmed)
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.)	Complexity Level	Rating
Not Applicable	INE0DLP07024	Non-Convertible Debentures (NCD)	30 Sep 2021	9.20	30 Sep 2023	30.00	Simple	ACUITE A+ Stable Downgraded Negative to Stable
Not Applicable	INE0DLP07016	Non-Convertible Debentures (NCD)	23 Jul 2020	10.75	23 Jul 2023	10.00	Simple	ACUITE A+ Stable Downgraded Negative to Stable
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	10.00	Simple	Not Applicable Withdrawn
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	46.10	Simple	Not Applicable Withdrawn
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	Simple	Not Applicable Withdrawn
Indusind Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	3.64	Simple	Not Applicable Withdrawn
Sundaram Home Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	15.00	Simple	Not Applicable Withdrawn
Hinduja Housing Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	29.75	Simple	Not Applicable Withdrawn
Hero Housing Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	3.51	Simple	Not Applicable Withdrawn