December 05, 2024

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 India Ratings for Clix Capital Services Pvt Ltd.

We are pleased to inform you that India Ratings, has assigned the long-term **rating of the company as “A+” and the short-term rating as A1+. The company’s long-term rating as assigned by India Ratings is A+ with Stable outlook.** This reflects the comprehensive development seen in Clix spanning across parameters – AUM Growth, sound portfolio quality and increasing profitability.

According to the India Ratings report, “*The rating reflects Clix’s adequate capital position due to timely infusions of capital by existing shareholders, with a modest leverage ratio, and the considerable experience of the company’s promoter and senior management team. The rating also reflects the continued profitable growth in Clix’s franchise post FY22 and visibility regarding its future growth plans, with focus on micro, small and medium enterprises (MSMEs) and geographical diversification. Clix also has a diversified borrowing mix, with a healthy share of funding from banks and other financial institutions.*”

Please find detailed rating rationale enclosed with this letter.

Yours sincerely

For **Clix Capital Services Private Limited**

VINU RAJAT KALRA
Digitally signed by VINU RAJAT KALRA
Date: 2024.12.05 18:47:10 +05'30'

Vinu R Kalra
Company Secretary
M: A17923

India Ratings & Research
A Fitch Group Company

India Ratings Assigns CLIX Capital Services's NCDs 'IND A+/Stable and CP 'IND A1+'

Dec 05, 2024 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has rated CLIX Capital Services Private Limited's (Clix) debt instruments as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Commercial papers*	-	-	-	INR1,000	IND A1+	Assigned
Non- convertible debentures*	-	-	-	INR2,000	IND A+/Stable	Assigned

* Yet to be issued

Analytical Approach

Ind-Ra has fully consolidated Clix's subsidiaries- Clix Housing Finance Limited (CHFL), (100% held by, Clix) and Tezzract Fintech Private Limited (61.94% held by, Clix) to arrive at the ratings, given the strong financial and operational linkages among the entities and the use of a common brand name by CHFL.

Detailed Rationale of the Rating Action

The rating reflects Clix adequate capital position due to timely infusions of capital by existing shareholders, with a modest leverage ratio, and the considerable experience of the company's promoter and senior management team. The rating also reflects the continued profitable growth in Clix's franchise post FY22 and visibility regarding its future growth plans, with focus on micro, small and medium enterprises (MSMEs) and geographical diversification. Clix also has a diversified borrowing mix, with a healthy share of funding from banks and other financial institutions.

Ind-Ra has also factored in Clix's adequate liquidity, with cumulative surplus in all-time buckets up to five years at end-September 2024. The ratings also reflect Clix's moderate-but-improving profitability in 1HFY25, which is likely to improve further over FY25-FY26, and the moderate improvement in its asset quality.

List of Key Rating Drivers

Strengths

- Capital buffers adequate to manage growth
- Growing franchise
- Diversified funding profile

Weaknesses

- Moderate profitability
- Moderate improvement in asset quality; limited seasoning

Detailed Description of Key Rating Drivers

Capital Buffers Adequate to Manage Growth: Clix has built adequate capital buffers, with consolidated capital base of INR15.81 billion in 1QFY25 (FY24: INR15.5 billion; FY23: INR14.6 billion), and a capital adequacy ratio of 27.7% (28.2%; 37%). The consolidated leverage ratio (debt/equity) stood at 2.6x at end-1QFY25 (FY24:2.7x; FY23: 2.3x). Furthermore, to provide additional headroom to grow, the existing shareholders infused INR2.2 billion in the company in July 2024. Clix targets to keep its leverage within 3.5x at the consolidated level. The agency believes the current capital would be adequate to support growth over the next six-to-seven quarters. The company caters to the MSME segment, and the agency believes that this segment could be impacted disproportionately during an economic slowdown. However, as per Ind-Ra's stress test, the capital buffers of Clix will remain adequate to absorb asset quality pressure in the near-to-medium term.

Growing Franchise: Clix's consolidated assets under management (AUM) grew to INR62.3 billion at end-1HFY25 (FY24: INR56.8 billion, FY23: INR43.7 billion). The product portfolio comprises business loans (32.6% of total AUM), including a book backed by Credit Guarantee Fund Trust for Micro and Small Enterprises, health finance solutions (HFS: 8.8%), school finance K-12 (22%), loan against properties (LAP: 9.1%), and personal loan book (having credit loss protection to a certain extent; 22.7%), with a fintech acting as sourcing partner for the company. The remaining portion of the AUM consists of products that had been discontinued at end-1HFY25. The off-book assets of the company stood at INR10.9 billion at 1HFYE25, constituting 17.4% of the total AUM, considering direct assignment, co-lending, and operating lease. Clix benefits from its seasoned management team, which consists of professionals having almost two decades of experience in lending to the MSME sector. Clix has added 18 branches since end-FY23, and the total number of branches stood at 29 at end-1HFY25. Furthermore, the company has been identifying new geographies to expand its footprint. At end-June 2024, the top five states contributed 61.4% to the total AUM, out of which four southern states accounted for about 48.4%.

Diversified Funding Profile: At end-June 2024, Clix had a funding relationship with 39 lenders; within this, the company receives about 63.2% of its funding from public and private sector banks, 15.9% from non-banking financial companies, 9% from development financial institutions, and the rest from others. Clix had a consolidated outstanding debt of INR41.1 billion at end-June 2024. The company has onboarded new lenders; this along with the equity infusion and diversity in lenders would enable it to comfortably avail new debt at a competitive pricing to support its loan book growth. Given the scale at which Clix operates, the number of lending relations is adequate, and the liability mix is diversified. Clix's focus on co-lending with four partners also acts as an additional source of fund-raising.

Moderate Profitability: The entity has been reporting a positive consolidated profit after tax (1QFY25: INR0.2 billion; FY24: INR0.6 billion, FY23: INR0.3 billion, FY22: negative INR0.98 billion), though it has been at modest levels due to high operating and credit cost. The cost-to-income ratio moderated but remained elevated at 48.1% at end-1QFY25 (FY24:52.5%; FY23: 57.3%; FY22: 62.8%). The operating cost-to-average-AUM moderated to 5.2% in 1QFY25 (FY24: 5.4%, FY23: 5.8%), while return on assets improved to 1.26% (1.05%, 0.58%). Ind-Ra has also factored in Clix's healthy collection efficiency in all the products offered post the pandemic; however, the HFS segment had witnessed a slight pressure as supply chain issues had led to delays in the installation of machines at end-borrowers. The on-book portfolio comprised secured and unsecured book of 40% and 60%, respectively at end-1HFY25. However, there is a credit loss protection to a certain extent in the partnership book (which is unsecured in nature). The credit costs stood at 4.5% in 1QFY25 (annualised) (FY24: 4.3%; FY23: 3.3%), including the write-off from the partnership loan book (unsecured).; However, excluding the write-off and the partnership loan book from the total portfolio, the credit cost stood at 2.45% in 1QFY25 (FY24: 2.55%, FY23: 0.96%). Maintaining the asset quality with franchisee expansion and the company's ability to replicate the business model in new geographies will be key rating monitorables.

Moderate Improvement in Asset Quality; Limited Seasoning: Clix began operations in 2016 and has built an AUM of INR62.3 billion since then until 1HFY25. While its portfolio has been witnessing strong growth, the franchise size remains at a medium level. Also, the seasoning in the portfolio is low, as a large portion of the AUM was generated in the 12 months ended June 2024. There is an improving trend in the overall asset quality, with gross non-performing assets (GNPA) at 1.8% in 1HFY25 (FY24: 1.8%, FY23:2.4%, FY22:4.9%) and healthy growth in its AUM. The company has managed to keep the delinquencies under check. However, given the limited seasoning of its business verticals, Ind-Ra believes control over softer bucket migration needs to be actively monitored with the rising scale.

In terms of the restructured portfolio too, the book remains small, with the outstanding restructured book accounting for 2% of the total AUM at end-1QFY25, of which most is secured. In CHFL, the disbursements have been discontinued since the last couple of years, with the book being run down by repayment and direct assignments. CHFL's AUM reduced to INR1 billion at end-June 2024 from INR2.5 billion at end-March 2022.

Liquidity

Adequate: The company generally maintains two months of debt repayment obligations and operating expenses in the form of un-encumbered liquidity. As per the asset liability statement for September 2024, which is prepared on a contractual basis, the total debt obligation for October to December 2024 was around INR6.3 billion, which was met through cash and liquid investments of INR5.8 billion and un-utilised lines of INR4.4 billion, without considering the collection and disbursements. As per the asset-liability management statement at end-September 2024, the company was in a surplus position in the all-time buckets up to five years, with a cumulative surplus (excess of short-term assets over short-term liabilities in the up-to-one-year bucket) of 4% of the total assets. Its ability to raise funds by securitising its assets provides additional comfort on liquidity. Even under Ind-Ra's stress case, which assumes a delay in inflows, the liquidity profile is reasonable.

Rating Sensitivities

Positive: A continued expansion in the franchisee with improving profitability, control over asset quality, further funding diversification and diversification in non-southern geographies could lead to a positive rating action.

Negative: The following factors can, individually or collectively, lead to a negative rating action:

- the consolidated leverage exceeding 4.0x on a sustained basis
- weakened operating performance
- Significant deterioration in the asset quality, with a sustained rise in credit cost, exceeding Ind-Ra's expectations
- dilution in the liquidity profile

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on Clix, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

Clix was originally set up by the GE group, and at end-FY16, the GE group entered a management buy-in arrangement with ex-GE top executives, Pramod Bhasin and Anil Chawla, backed by funding from the private equity firm, AION Capital Partners (85% stake), which was a joint venture between Apollo Global Management and ICICI Ventures Funds Management Company. However, in June 2020, Apollo Global Management and ICICI Ventures Funds Management Company announced that they were ending the joint venture. At present, Plutus Wealth Management, a Mauritius-based SPV, holds almost 100% in Clix (consolidated); Apollo Global Management holds 85% stake in the SPV and the balance stake is with the promoters. Clix is focused on MSME lending. At 1HFYE25, it had around 652 employees and 29 branches, spread across 15 states.

Key Financial Indicators

Particulars - Consolidated	1QFY25	FY24	FY23
Total assets (INR billion)	61.9	62.7	52.6
Total equity (INR billion)	15.8	15.5	14.6
Net profit/loss (INR billion)	0.2	0.6	0.3
Equity/assets (%)	25.5	24.7	27.8

Leverage (x)	2.6	2.7	2.3
Tier 1 ratio (%)	29.13	29.48	38.45
Source: Ind-Ra; Clix			

Particulars - Standalone	**1HFY25**	**FY24**	**FY23**
Total assets (INR billion)	66.3	62.7	51.98
Total equity (INR billion)	18.6	15.7	14.7
Net profit/loss (INR billion)	0.5	0.6	0.24
Equity/assets (%)	28	25	28.3
Gross NPAs (%)	1.9	1.8	2.4
Leverage (x)	2.28	2.65	2.24
Source: Ind-Ra; Clix			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	**Current Rating/Outlook**		
	Rating Type	**Rated Limits (million)**	**Rating/Outlook**
Commercial papers	Short-term	INR1,000	IND A1+
Non- convertible debentures	Long- term	INR 2,000	IND A+/Stable

Complexity Level of the Instruments

Instrument Type	**Complexity Indicator**
Commercial paper	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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APPLICABLE CRITERIA AND POLICIES

Non-Bank Finance Companies Criteria

Evaluating Corporate Governance

Financial Institutions Rating Criteria

The Rating Process