December 19, 2024

Oxyzo Financial Services Limited (erstwhile Oxyzo Financial Services Private Limited): Ratings reaffirmed with in change in limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term/short term fund based	0.00	3,208.00	[ICRA]A+ (Stable)/ [ICRA]A1+; reaffirmed/assigned#
Long term – Fund based/CC	685.00	0.00	-
Long term – Fund-based TL	2,505.45	0.00	-
Long term – Unallocated	17.55	0.00	-
Non-convertible debenture	611.75	611.75	[ICRA]A+ (Stable); reaffirmed
Non-convertible debenture	25.00	0.00	[ICRA]A+ (Stable); reaffirmed and withdrawn
LT – Market linked debenture	51.00	51.00	PP-MLD[ICRA]A+ (Stable); reaffirmed
Commercial paper programme	185.00	185.00	[ICRA]A1+; reaffirmed
LT borrowing programme	2.00	2.00	[ICRA]A+ (Stable); reaffirmed
Issuer rating	-	-	[ICRA]A+ (Stable); reaffirmed
Total	**4,082.75**	**4,057.75**	

**Instrument details are provided in Annexure I; CC – Cash credit; TL – Term loan; LT – Long term; #[ICRA]A1+ assigned on short-term scale*

Rationale

The ratings for Oxyzo Financial Services Limited (Oxyzo) factor in its demonstrated ability to grow its business while maintaining good control over the asset quality, its adequate profitability and strong capitalisation for its near-to-medium-term growth, and the commensurate expansion in its borrowing relationships. While the company has registered significant portfolio growth in the past, ICRA draws comfort from its ability to control slippages and maintain a high share of secured loans (~70% of the portfolio as on June 30, 2024), which will keep the ultimate losses, in case of delinquencies, at a low level.

ICRA also takes note of the company's enhanced relationships with lenders to support the envisaged growth in its assets under management (AUM). Nevertheless, Oxyzo needs to continue expanding its lender relationships to grow as per its business plans. While the leverage would increase with the further scale-up of operations, the management plans to maintain a prudent capitalisation level with the gearing not exceeding 3-4x in the near term.

The company has achieved a sharp growth in its scale of operations over the past few years (3-year compound annual growth rate (CAGR) of 68% during FY2021-FY2024). ICRA believes sharp growth can pose challenges in maintaining the underwriting quality and consequently the asset quality indicators. Further, ICRA takes note of the inherent vulnerability of the unsecured loan book (~30% as on June 30, 2024). Moreover, delinquencies in the softer buckets could remain volatile.

Oxyzo's ratings also derive strength from its parentage, OFB Tech Private Limited (rated [ICRA]A+ (Stable)/[ICRA]A1+), given the majority shareholding (70% as on September 30, 2024), and the track record of significant financial and operational support from the parent, which has previously included access to capital, management and systems, and supervision by the board. While the ratings do not envisage any need for financial support from OFB, ICRA expects the parent to maintain significant ownership as Oxyzo acts as the financial services lending arm of the OfBusiness Group.

The Stable outlook factors in ICRA's expectation that Oxyzo will continue to increase its scale profitably while keeping its managed gearing and asset quality under control.

ICRA has reaffirmed and withdrawn the ratings for the Rs. 25.00-crore non-convertible debentures (NCDs) with no amount outstanding against the rated instruments. The ratings have been withdrawn as per ICRA's policy on the withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Strong capitalisation – Oxyzo's capitalisation profile is characterised by a managed gearing of 1.8x as on September 30, 2024, supported by internal accruals and a capital infusion of Rs. 1,578 crore in FY2022 and FY2023 (including Rs. 81 crore from OFB). The company reported a net worth of Rs. 2,762 crore with a capital adequacy ratio (capital-to-risk weighted assets ratio; CRAR) of 37.7% as on September 30, 2024. ICRA expects the capital to be sufficient for the envisaged growth in the near to medium term. While the leverage is expected to increase over the medium term due to the targeted growth plans, Oxyzo is likely to maintain a prudent capitalisation profile (managed gearing below 4x) with sufficient capital buffer.

Good asset quality/business risk management; however, unsecured lending portfolio imparts vulnerability – Oxyzo's lending operations have seen high growth in the last few fiscals. Thus, its ability to manage the asset quality through multiple economic cycles would remain a key monitorable. In this regard, ICRA draws comfort from the fact that a high proportion of the portfolio is secured with the company reporting good asset quality since the commencement of operations. As the loans have a relatively short tenure, a single customer revolves a particular limit multiple times, leading to better seasoning in terms of cyclicity of the loan book.

ICRA also notes that Oxyzo has set up a strong underwriting framework as demonstrated by its good asset quality indicators. The asset quality indicators have been under control so far with the gross and net stage 3 of 1.1% and 0.5%, respectively, as on September 30, 2024 (1.0% and 0.5%, respectively, as on March 31, 2024). As 30% of the loans are unsecured in nature, the asset quality (90+ days past due (dpd) of 0.9% as on June 30, 2024) and delinquencies in the softer buckets could remain volatile. The company's ability to arrest fresh slippages while growing its business volumes would have a bearing on its overall financial profile and would be a key monitorable.

Adequate profitability – Oxyzo's profitability trajectory has been supported by stable net interest margins (NIMs; 8.4% in H1 FY2025 and 8.3% in FY2024) and steady operating expenses/average managed assets (AMA; 1.7% in H1 FY2025 and 1.8% in FY2024), despite the marginal increase in credit costs (0.8% of AMA in H1 FY2025 from 0.6% in FY2024). Oxyzo reported a profit after tax (PAT) of Rs. 167 crore in H1 FY2025 with a return on average assets (RoA) of 4.4% compared with Rs. 286 crore and 4.4%, respectively, in FY2024. Going forward, while the margins may decline from the current level with some increase in borrowing costs and higher leverage, improvement in the operating efficiency, while keeping control over the asset quality, will remain imperative for maintaining healthy profitability.

Diversified lender base; higher share of bank borrowings – The company has been expanding its lender base and has developed relationships with more than 40 lenders comprising 26 banks (including small finance banks), non-banking financial institutions (NBFCs) and other lending institutions. It has also diversified its borrowing mix to include market instruments like NCDs and market linked debentures. While Oxyzo has raised funds through commercial paper in the past, the outstanding remained Nil as on September 30, 2024. The funding profile continues to improve, with the proportion of banks in the overall borrowing mix increasing to ~82% as on June 30, 2024. Given its target growth plans, the company will have to continue augmenting its relationships with lenders while optimising its cost of funds.

Credit challenges

Limited track record; high pace of growth in relation to existing scale of operations – Although the company achieved a sharp growth in its scale of operations till FY2024 (3-year CAGR of 68% during FY2021-FY2024), it witnessed some moderation in book growth to 7% (annualised basis) in H1 FY2025. Its loan book increased to ~Rs. 6,850 crore as on September 30, 2024 from Rs. 6,600 crore as on March 31, 2024 and Rs. 4,689 crore as on March 31, 2023. ICRA expects Oxyzo to grow the loan book at 15-20% over the medium term. In this context, ICRA believes sharp growth can pose challenges in maintaining the underwriting quality and consequently the asset quality indicators.

Exposure to vulnerable borrowing profile for unsecured lending portfolio; intense competition – While the company has managed to grow the loan book and maintain a high share of secured loans, ICRA notes that the target borrower segment has existing borrowing relationships. Hence, the risk of high competition from banks and/or the replication of the lending model by other NBFCs cannot be ruled out. Nevertheless, comfort is drawn from the synergies with OFB, facilitating enhanced connect because of various touchpoints with small and medium enterprises (SMEs), and the company's early-mover advantage with an increasing presence in multiple supply chains.

ICRA takes note of the inherent vulnerability of the unsecured loan book (~30% of Oxyzo's loan book as on June 30, 2024). While its performance remains comfortable (90+dpd of 0.9% as on June 30, 2024), it remained relatively weaker than the 90+dpd of 0.4% for secured loans as on June 30, 2024. Given its limited track record of operations, the asset quality of unsecured loans across economic cycles remains a key monitorable.

Liquidity position: Strong

Given the low leverage and short-tenor loans extended by Oxyzo, its asset-liability maturity (ALM) profile is characterised by positive cumulative mismatches across all buckets. As on September 30, 2024, the total debt obligations over the next 1 year stood at ~Rs. 2,978 crore against expected inflows from advances of ~Rs. 5,230 crore. Further, notwithstanding the high growth targets and associated liquidity needs, the Group's liquidity profile is supported by the availability of sufficient on-balance sheet and off-balance sheet liquidity buffers with unencumbered cash and bank balance and unencumbered liquid investments of Rs. 847 crore and unutilised funding lines of ~Rs. 849 crore on September 30, 2024.

Rating sensitivities

Positive factors – The company's ability to scale up its secured lending operations profitably, while maintaining healthy asset quality, on a sustained basis would be a credit positive. Further, an improvement in the parent's credit profile could be a credit positive for Oxyzo.

Negative factors – Pressure on Oxyzo's ratings could arise if the leverage increases significantly (managed gearing of more than 4x) or if there is a sustained weakening in the asset quality, thereby putting pressure on the profitability. A significant change in the likelihood of support from the parent or a deterioration in the parent's credit profile could be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies (NBFCs) Policy on Withdrawal of Credit Ratings
Parent/Group support	OFB Tech Private Limited Oxyzo's ratings derive strength from its parentage, OFB, given the majority shareholding (70% stake as on September 30, 2024), track record of significant financial and operational support from the parent, which has previously included access to capital, management and systems, and supervision by the board. While ratings for Oxyzo does not envisage any need for financial support from OFB, ICRA expects OFB to maintain significant ownership in Oxyzo.
Consolidation/Standalone	Standalone

About the company

Oxyzo is a Gurgaon-based NBFC, which commenced lending operations in November 2017. It primarily provides secured and unsecured purchase finance loans to small and medium enterprises (SMEs) for financing the purchase of raw materials that are used in their core business.

At the standalone level, Oxyzo's loan book stood at ~Rs. 6,850 crore as on September 30, 2024 compared with Rs. 6,600 crore as on March 31, 2024. It comprises business loans (56% as on September 30, 2024) and purchase financing (44%).

Oxyzo reported a profit after tax (PAT) of Rs. 167 crore on total income of Rs. 527 crore in H1 FY2025 against Rs. 135 crore and Rs. 395 crore, respectively, in H1 FY2024 (Rs. 286 crore and Rs. 853 crore, respectively, in FY2024). Oxyzo's net worth stood at Rs. 2,762 crore as on September 30, 2024 with a gearing of 1.8 times. It reported a gross stage 3% of 1.1% as on September 30, 2024 (1.0% as on March 31, 2024).

OFB Tech Private Limited

Incorporated in 2015, OFB provides raw material fulfilment and value addition and marketing services through its tech-enabled business-to-business (B2B) platform under the brand, OfBusiness. Through its platform, the company primarily trades in bulk raw materials and does basic processing in sectors such as steel, non-ferrous metals, agri-commodities, polymers, chemicals and cement, with a focus on small and medium enterprise (SME)-centric B2B business entities and corporates. It has raised equity capital of Rs. 5,370 crore through multiple rounds till date and the promoters continue to hold a 27.37% stake in the company. The rest of the stake is primarily held by private equity investors including SoftBank Group, Matrix Partners India, Tiger Global, Creation Capital, Zodius Capital, Falcon Edge, and Norwest Venture Partners.

Key financial indicators

Oxyzo (standalone)	FY2023	FY2024	H1 FY2025
Total income	562	853	527
Profit after tax	197	286	167
Total assets	5,578	7,353	7,769
Return on assets	4.4%	4.4%	4.4%
Gearing (times)	1.4	1.8	1.8
Gross stage 3	0.9%	1.0%	1.1%
CRAR	42.7%	36.8%	37.7%

Source: Oxyzo, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	December 19, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
LT borrowing programme	Long term	2.00	[ICRA]A+ (Stable)	19-NOV-2024	[ICRA]A+ (Stable)	29-NOV-2023	[ICRA]A+ (Stable)	21-MAR-2023	[ICRA]A+ (Stable)	05-OCT-2021	[ICRA]A+ (Stable)
				-	-	-	-	30-MAR-2023	[ICRA]A+ (Stable)	02-NOV-2021	[ICRA]A+ (Stable)
				-	-	-	-	-	-	22-MAR-2022	[ICRA]A+ (Stable)
Long-term cash credit – Fund based	Long term	0.00	-	19-NOV-2024	[ICRA]A+ (Stable)	29-NOV-2023	[ICRA]A+ (Stable)	21-MAR-2023	[ICRA]A+ (Stable)	05-OCT-2021	[ICRA]A+ (Stable)
				-	-	-	-	30-MAR-2023	[ICRA]A+ (Stable)	02-NOV-2021	[ICRA]A+ (Stable)
				-	-	-	-	-	-	22-MAR-2022	[ICRA]A+ (Stable)
Long-term term loan –Fund based	Long term	0.00	-	19-NOV-2024	[ICRA]A+ (Stable)	29-NOV-2023	[ICRA]A+ (Stable)	21-MAR-2023	[ICRA]A+ (Stable)	05-OCT-2021	[ICRA]A+ (Stable)
				-	-	-	-	30-MAR-2023	[ICRA]A+ (Stable)	02-NOV-2021	[ICRA]A+ (Stable)
				-	-	-	-	-	-	22-MAR-2022	[ICRA]A+ (Stable)
Long term – Unallocated	Long term	0.00	-	19-NOV-2024	[ICRA]A+ (Stable)	29-NOV-2023	[ICRA]A+ (Stable)	30-MAR-2023	[ICRA]A+ (Stable)	-	-
Long-term/short term - Fund based	Long term/ Short term	3,208.00	[ICRA]A+ (Stable)/ [ICRA]A1+	-	-	-	-	-	-	-	-
Issuer rating	Long term	0.00	[ICRA]A+ (Stable)	19-NOV-2024	[ICRA]A+ (Stable)	29-NOV-2023	[ICRA]A+ (Stable)	21-MAR-2023	[ICRA]A+ (Stable)	05-OCT-2021	[ICRA]A+ (Stable)
				-	-	-	-	30-MAR-2023	[ICRA]A+ (Stable)	02-NOV-2021	[ICRA]A+ (Stable)
				-	-	-	-	-	-	22-MAR-2022	[ICRA]A+ (Stable)

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	December 19, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	185.00	[ICRA]A1+	19-NOV-2024	[ICRA]A1+	29-NOV-2023	[ICRA]A1+	21-MAR-2023	[ICRA]A1+	05-OCT-2021	[ICRA]A1+
				-	-	-	-	30-MAR-2023	[ICRA]A1+	02-NOV-2021	[ICRA]A1+
				-	-	-	-	-	-	22-MAR-2022	[ICRA]A1+
Non-convertible debenture	Long term	611.75	[ICRA]A+ (Stable)	19-NOV-2024	[ICRA]A+ (Stable)	29-NOV-2023	[ICRA]A+ (Stable)	21-MAR-2023	[ICRA]A+ (Stable)	05-OCT-2021	[ICRA]A+ (Stable)
				-	-	-	-	30-MAR-2023	[ICRA]A+ (Stable)	02-NOV-2021	[ICRA]A+ (Stable)
				-	-	-	-	-	-	22-MAR-2022	[ICRA]A+ (Stable)
LT – Market linked debenture	Long term	51.00	PP-MLD[ICRA]A+ (Stable)	19-NOV-2024	PP-MLD[ICRA]A+ (Stable)	29-NOV-2023	PP-MLD[ICRA]A+ (Stable)	21-MAR-2023	PP-MLD[ICRA]A+ (Stable)	05-OCT-2021	PP-MLD[ICRA]A+ (Stable)
				-	-	-	-	30-MAR-2023	PP-MLD[ICRA]A+ (Stable)	02-NOV-2021	PP-MLD[ICRA]A+ (Stable)
				-	-	-	-	-	-	22-MAR-2022	PP-MLD[ICRA]A+ (Stable)
				-	-	-	-	-	-	22-MAR-2022	PP-MLD[ICRA]A+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures	Simple
LT-Market linked debentures	Moderately Complex
Commercial paper programme	Very Simple
Long-term/short term fund based	Simple
LT borrowing programme	Simple
Issuer rating	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click Here

Annexure I: Instrument details as on December 16, 2024

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE04VS07313	**NCD**	20-Mar-23	9.75%	19-Mar-25	20	[ICRA]A+ (Stable)
INE04VS07339	**NCD**	15-Mar-24	9.75%	12-Mar-27	24	[ICRA]A+ (Stable)
INE04VS07321	**NCD**	11-Mar-24	9.90%	15-Feb-27	25	[ICRA]A+ (Stable)
INE04VS07347	**NCD**	02-Sep-24	9.25%	16-Mar-26	10	[ICRA]A+ (Stable)
INE04VS07305	**MLD**	6-Jan-23	NA	24-Jan-25	40	PP-MLD[ICRA]A+ (Stable)
Yet to be placed#	**NCD**	NA	NA	NA	532.75	[ICRA]A+ (Stable)
Yet to be placed#	**NCD***	NA	NA	NA	2	[ICRA]A+ (Stable)
Yet to be placed#	**MLD**	NA	NA	NA	11	PP-MLD[ICRA]A+ (Stable)
NA	**Issuer rating**	-	-	-	-	[ICRA]A+ (Stable)
Yet to be placed	**Commercial paper**	NA	NA	NA	185.00	[ICRA]A1+
NA	**Long-term/short term fund based bank facilities**	FY2022	NA	FY2029	3,208.00	[ICRA]A+ (Stable)/ [ICRA]A1+
INE04VS07271	**NCD**	26-Nov-21	9.00%	26-Nov-24	25	[ICRA]A+ (Stable); withdrawn

*Source: Oxyzo, ICRA Research; *Long-term borrowing/NCD; #Proposed*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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