

March 28, 2025

Oxyzo Financial Services Limited (erstwhile Oxyzo Financial Services Private Limited): Provisional [ICRA]AA(SO) assigned to Series A1 PTCs issued by Lindt 03 2025, backed by a pool of unsecured business loans

Summary of rating action

Trust name	Instrument*	Current Rated amount (Rs. crore)	Rating action
Lindt 03 2025	Series A1 PTCs	95.47	Provisional [ICRA]AA(SO); assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

The pass-through certificates (PTCs) are backed by a pool of unsecured business loan receivables originated by Oxyzo Financial Services Limited {Oxyzo/Originator; rated [ICRA]A+ (Stable)} with an aggregate principal outstanding of Rs. 107.27 crore (pool receivables of Rs. 137.74 crore). Oxyzo is likely to act as the servicer for the transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. While 25% of the surplus excess interest spread (EIS), after meeting the promised and expected payouts, will be used for the prepayment of Series A1 PTC principal, the balance will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the Series A1 PTC principal.

If the cumulative collection efficiency in respect of the pool is less than 90% for any three consecutive payouts and/or the portfolio at risk (PAR)>90 of the pool exceeds 6% of the initial principal outstanding and/or the rating for Series A1 PTCs is downgraded by one notch or more, then the entire EIS shall be utilised towards the repayment of the principal payout to the Series A1 PTC investors.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 4.00% of the initial pool principal, amounting to Rs. 4.29 crore, to be provided by the Originator, (ii) subordination in the form of an equity tranche of 6.00% of the pool principal and over-collateralisation of 5.00% of the pool principal for Series A1 PTCs, (iii) the EIS of 21.19% of the pool principal for Series A1 PTCs.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular in nature, with the top 10 obligors forming less than 0.5% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the credit

enhancement available in the form of the CC, the subordination in the form of the equity tranche and over-collateralisation, and the EIS would absorb some of the losses in the pool and provide support in meeting the investor payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date, which is a credit positive.

Adequate servicing capability of originator – The Originator has adequate processes for servicing the loan accounts in the securitised pool. It has a satisfactory track record of regular collections across multiple geographies.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top state, i.e. Rajasthan, contributing ~50% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Risks associated with lending business – The performance of the pool would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. Further, the pool will be exposed to the inherent credit risk associated with the unsecured nature of the asset class. Moreover, recoveries from delinquent contracts tend to be lower.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.75% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% to 12% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Liquidity position: Strong

The liquidity for Series A1 PTCs is strong after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~5.50 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency of less than 90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of Oxyzo's portfolio till December 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Auditor's certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Oxyzo is a Gurgaon-based non-banking financial company (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.

As on December 31, 2024, ~67% of the loan book was secured while 27% was unsecured. The loan book comprised business loans (59%) and purchase financing (41%) as on December 31, 2024. Oxyzo's net worth stood at Rs. 2,846 crore as on December 31, 2024 with a gearing of 1.8 times.

Key financial indicators

	FY2023	FY2024	9M FY2025
Total income	562	854	810
PAT	197	286	250
Total managed assets	5,578	7,353	8,066
Gross stage 3 assets	0.9%	1.0%	1.2%
CRAR	42.7%	36.8%	36.9%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. no.	Trust name	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Instrument	Initial amount rated (Rs. crore)	Current amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
					March 28, 2025	-	-
1	Lindt 03 2025	Series A1 PTCs	95.47	95.47	Provisional [ICRA]AA(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTCs	Moderately Complex

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

Trust name	Instrument name	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating
Lindt 03 2025	Series A1 PTCs	March 27, 2025	9.90%	March 15, 2028	95.47	Provisional [ICRA]AA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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