

## Oxyzo Financial Services Private Limited

September 03, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Partially Credit Enhanced long term Bank Facilities	15.00	<b>CARE A (CE) Stable<sup>^</sup></b> <b>(Single A (Credit Enhancement);</b> <b>Outlook: Stable)</b>	<b>Final rating confirmed</b>
<b>Total Facilities</b>	<b>15.00</b> <b>(Rs. Fifteen crores only)</b>		

*Details of instruments/facilities in Annexure-1*

<sup>^</sup> based on the credit enhancement in the form of unconditional and irrevocable partial guarantee provided by Northern Arc Capital Limited (NACL; rated CARE A1+) to the extent of Rs.2.7 crore, being 18% of the issue size of the long-term bank facility. When due to the amortization of the facility, the Credit Enhancement percentage becomes greater than 50% of the aggregate outstanding principal of the facility, the Guarantee Cap shall be capped to 50% of the aggregate outstanding principal of the said facility.

### Detailed Rationale & Key Rating Drivers

CARE had assigned Provisional CARE A (CE); Stable to the Partially Credit Enhanced long term bank facilities aggregating to Rs.15 crores issued by Oxyzo Financial Services Private Limited (Oxyzo) in April 2021.

The rating is now confirmed after receiving signed copies of legal documents (which include Corporate Guarantee deed, facility Agreement, Collection and Payment account agreement, hypothecation agreement) executed in accordance with the structure and a legal opinion taken on the same.

The rating is based on the credit enhancement in the form of unconditional and irrevocable partial guarantee provided by Northern Arc Capital Limited (NACL; rated CARE A1+) to the extent of Rs.2.7 crore, being 18% of the issue size of the long-term bank facility. When due to the amortization of the facility, the Credit Enhancement percentage becomes greater than 50% of the aggregate outstanding principal of the facility, the Guarantee Cap shall be capped to 50% of the aggregate outstanding principal of the said facility. Rating Rationale for NACL can be found at this [web link](#).

### Rating Sensitivities

*Positive Factors - Factors that could lead to positive rating action/upgrade:*

- Upward revision in the standalone rating of the issuer

*Negative Factors- Factors that could lead to negative rating action/downgrade:*

- Downward revision in the standalone rating of the issuer or the Partial Guarantee Provider
- Breach of any negative covenants

**Detailed description of the key rating drivers:** Not Applicable

### Analytical approach

**Oxyzo:** Standalone, factoring in operational and financial synergies between OFB Tech Private Limited and Oxyzo and same senior management of both the companies.

### Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Non Banking Finance Companies \(NBFCs\)](#)

[Financial Ratios – Financial Sector](#)

[Criteria for Rating Credit Enhanced Debt](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

### About the Guarantor (NACL)

Northern Arc Capital Limited (NACL) (formerly known as IFMR Capital Finance Limited) is primarily engaged in enabling small and medium sized NBFCs to access debt capital including by way of securitization and debentures. It also provides loans to these NBFCs and invests in the subordinated tranches of securitization pools arranged by it. Over the years, with the players

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

in the industry growing in size, NACL has also grown its loan book. The share of loans and advances has increased from 46% of total assets as on March 31, 2014 to 66% as on March 31, 2020. Income from syndication/arranger business stood at Rs. 52.18 crores (Rs.26.50 crores in FY14) in FY20 as against net interest income of Rs.231.95 crores (Rs.12.60 crores in FY14). The company is registered with RBI as a non-deposit taking systemically important NBFC and started NBFC activities in 2008 with focus on microfinance sector mainly to small and medium sized MFIs. Later, NACL has expanded scope of its NBFC activities to include AHF (Affordable Housing Finance), Small Business Loans (SBL), Commercial Vehicle Finance (CV), Agricultural Finance (AF) and Corporate Finance (CF).

#### About the Issuer (Oxyzo)

Oxyzo is a non-deposit accepting, systemically important NBFC belonging to OFB Group and Oxyzo started its operations in November 2017. Oxyzo is a 100% subsidiary of OFB Tech. Oxyzo provides secured and unsecured purchase finance loans to SMEs for financing the purchase of raw materials. As on March 31, 2020, the operations of the company are spread across 12 states with 51% of operations in south India, 26% in north India and 23% in west India.

#### About issuer's parent (OFB Tech Private Limited)

OFB Tech Private Limited is a private limited company incorporated in India on August 24, 2015. As an online portal, OFB has developed its own raw material aggregation technology platform (OASYS) which helps SMEs from across the country in procuring raw materials. Currently the company deals into various sub-industries including capital goods and PEB, consumer durables, steel, polymer, cement, auto and auto ancillaries, power, solar and small equipment, paper, polymer and industrial chemicals and finished garments through its technology platform. As on March 31, 2020, around 31% of the entire shareholding of OFB Tech is with promoters, 68% held by PE investors such as Matrix Partners India (17.14%), Creation Investments (16.28%), Zodius Technologies (9.45%), Falcon Edge (9.16%), Norwest Ventures (11.29%) and 5% being held by Angel Investors and the ESOP holders and remaining 1% by key management personnel.

Brief Financials (Rs. crore)-Oxyzo	FY20 (A)	FY21 (A)
	IND AS	IND AS
Total income	135.20	197.57
PAT	21.06	39.94
Interest coverage (times)	1.47	1.60
Total Assets	962.93	1,640.11
Net NPA (%)	0.29	0.50
ROTA (%)	3.14	3.07

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Feb 2024	15.00	CARE A (CE); Stable

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Debentures-Non Convertible Debentures	LT	50.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (13-Oct-20)	1)CARE BBB; Stable (14-Oct-19)	-
2.	Fund-based - LT/ ST-Term loan	LT/ST	200.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (19-Nov-20) 2)CARE BBB+; Stable / CARE A2 (13-Oct-20)	1)CARE BBB; Stable / CARE A2 (18-Nov-19)	-
3.	Debentures-Non Convertible Debentures	LT	200.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (19-Nov-20)	-	-
4.	Fund-based - LT-Term Loan	LT	15.00	CARE A (CE); Stable	1)Provisional CARE A (CE); Stable (01-Apr-21)	-	-	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

## Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Complex

## Annexure 5: Bank Lender Details

[Click here to view Bank Lender Details](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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