July 29, 2026

Berar Finance Limited: Rating confirmed as final for Series A1 PTC backed by two-wheeler loan receivables issued by Arjun 05 2026

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action	Financial sector regulator#
Arjun 05 2026	Series A1 PTC	62.42	62.42	[ICRA]A+(SO); provisional rating confirmed as final	RBI

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

ICRA had assigned provisional rating to the Series A1 Pass-Through Certificates (PTCs) issued by Arjun 05 2026 under a securitisation transaction originated by Berar Finance Limited (BFL/Originator). The PTCs are backed by a pool of two-wheeler loan receivables originated by BFL with an aggregate principal outstanding of Rs. 70.93 crore (pool receivables of Rs. 84.37 crore). BFL is also the servicer for the transaction.

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

Pool performance summary

Parameter	Arjun 05 2026
Payout month	July 2026
Months post securitisation	2
Pool amortisation	9.7%
PTC Series A1 amortisation	11.1%
Cumulative prepayment rate[1]	0.5%
Cumulative collection efficiency[2]	99.0%
Loss cum 0+ dpd[3]	2.1%
Loss cum 30+ dpd[4]	0.2%
Loss cum 90+ dpd[5]	0.0%
Cumulative cash collateral utilisation	0.0%

[1] Principal outstanding at the time of prepayment of contracts prepaid till date / Principal outstanding on the pool at the time of securitisation
[2] Cumulative collections (incl. advances but excl. prepayments)/ (Cumulative billings + Opening overdue at the time of securitisation)
[3] Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 0 days, as a % of Initial pool principal
[4] Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of Initial pool principal
[5] Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal

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. Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

In case the portfolio at risk (PAR) 90 exceeds more than 4% of the initial pool principal then the available excess interest spread (EIS) shall be utilized to make principal payments to the Series A1 investors as long as the Series A1 PTCs are live.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 3.55 crore, provided by the Originator, (ii) subordination of 12.00% (comprising equity tranche of 5.00% and over-collateral (OC) of 7.00%) of the initial pool principal for Series A1 PTC, and (iii) the EIS of 12.93%[6] of the initial pool principal for Series A1 PTC.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular, consisting of 11,727 contracts and top 10 contracts forming less than ~0.2% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, all the contracts in the pool have never been delinquent post loan disbursement, thereby reflecting a relatively better credit profile of the borrowers, which is a credit positive.

Servicing capability of BFL – BFL has adequate processes for servicing of the loan accounts in the securitised pool. The company is in the lending business for more than three decades. It has demonstrated long track record of regular collections and recovery across a wide geography and multiple economic cycles.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Chhattisgarh and Madhya Pradesh contributing ~76% of 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.

[6] *The EIS has increased to 12.93% from 12.81% as indicated at the time of assigning provisional rating on account of change in settlement date*

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 based on 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 4.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 2.4% to 9.0% 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.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Arjun 05 2026
Originator	Berar Finance Limited
Servicer	Berar Finance Limited
Trustee	Catalyst Trusteeship Limited
CC Bank	DCB Bank Limited
Collection and payout account bank	ICICI Bank Limited

Liquidity position: Strong

The liquidity for Series A1 PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.25 times the estimated loss in the pool.

Rating sensitivities

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

Negative factors - The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

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

About the originator

Berar Finance Limited is a Nagpur-based public, equity unlisted, deposit-taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). The company is promoted by Mr. M. G. Jawanjar and was incorporated in 1990. BFL primarily finances two-wheelers (2Ws). It also provides used car loans, personal loans and secured MSME loans. BFL has now discontinued the used car loans segment.

While its operations are concentrated in Maharashtra, BFL has expanded to eight other states, i.e. Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Telangana, Gujarat, Jharkhand, Karnataka and Odisha. As on March 31, 2026, the company's loan book was Rs. 1,795.7 crore.

Key Financial Indicators (audited)

	FY2024	FY2025	FY2026
Total income	252	295	358
Profit after tax	22	32	36
Total Managed Assets	1,351	1,625	2,079
Gross Stage 3	4.6%	4.4%	3.7%
CRAR	25.0%	22.3%	25.1%

Source: Company data, ICRA Research, Note: All calculations and ratios are as per 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

Trust Name	Current Rating (FY2027)					Chronology of Rating History for the Past 3 Years		
	Instrument	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2027		Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024
				July 29, 2026	May 28, 2026	-	-	-
Arjun 05 2026	Series A1 PTC	62.42	62.42	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	Highly 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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating	Financial Sector Regulator#
Arjun 05 2026	Series A1 PTC	May 30, 2026	9.35%	October 10, 2028	62.42	[ICRA]A+(SO)	RBI

Source: Company

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Manushree Saggar
+91 124 454 5316
manushrees@icraindia.com

Sachin Joglekar
+91 22 6114 3470
sachin.joglekar@icraindia.com

Anubhav Agrawal
+91 22 6114 3439
anubhav.agrawal@icraindia.com

Vishal Oza
+91 22 6114 3472
vishal.oza2@icraindia.com

Shruti Jain
+91 22 6114 3414
shruti.jain2@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches