

October 01, 2026

Berar Finance Limited: Provisional [ICRA]AA-(SO) assigned to Series A1a PTCs and Provisional [ICRA]A-(SO) assigned to Series A1b PTCs backed by two-wheeler, refinance and MSME loan receivables issued by Enigma Trust 2026

Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating action	Financial sector regulator#
Enigma Trust 2026	Series A1a PTCs	21.67	Provisional [ICRA]AA-(SO); assigned	RBI
	Series A1b PTCs	21.67	Provisional [ICRA]A-(SO); assigned	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.

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 two-wheeler, refinance and MSME loan receivables originated by Berar Finance Limited (BFL/Originator) with an aggregate principal outstanding of Rs. 48.15 crore (underlying pool receivables of Rs. 63.52 crore). BFL would be acting as the servicer for the rated 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 tenure of the pool shall be divided into two periods – replenishment period and amortisation period. BFL will be the Servicer for the transaction.

Replenishment period

During the replenishment period, the principal collections from the pool will be utilised to purchase additional receivables (or further receivables or fresh set of additional receivables). The replenishment period will be for a period of 12 months from the date of execution. During the replenishment period, Series A1a PTCs and Series A1b PTCs investors will receive only the promised interest payouts each month on pari passu basis and from the available balance amount the trust will purchase fresh pools as per the selection criteria. Any residual amount will flow back to the originator subject to the waterfall during the replenishment period.

The transaction also entails certain trigger events for early amortisation. A breach of any of these trigger events would lead to the end of the replenishment period and the start of the amortisation period. If a trigger event occurs at any time during the replenishment period, then the tenure of the PTCs shall be reduced and be co-terminus with the remaining tenure of the pool of receivables assigned to the trust.

Additional criteria for the replenished pool shall be:

- a) weighted average IRR of replenished pool should not be less 2% than weighted Average IRR of Initial Pool and
- b) maturity date of the underlying loans of replenished pool should not be more than final/scheduled Maturity

Amortisation period

Post the replenishment period, both Series A1a PTCs and Series A1b PTCs investors will receive the promised interest payouts each month on pari-passu basis. All the principal collections including prepayments would be passed on to Series A1a PTCs on an expected basis till the 'attachment month'. The 'attachment month' is defined as the month till which the pool principal billing would be 1.5 times the Series A1a PTCs principal. Post the attachment month, all principal collections including prepayments would be passed on to both series of PTCs on a pari-passu basis. The principal is promised to the investors for both series of PTCs on the legal final maturity date of the transaction.

The credit enhancement for Series A1a PTCs is available in the form of pool principal cover of 1.5 times over the Series A1a PTCs principal and pool cashflow cover of ~2.05 times over the Series A1a PTCs cashflows till the attachment month. For Series A1b PTCs, the credit enhancement is available in the form of equity tranche of 5.00% and subordination of 5.00% of the initial pool principal, and entire excess interest spread (EIS) in the structure. Additional credit enhancement is available in the structure in the form of Cash Collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 2.41 crore, to be provided by the Originator (BFL). The CC will be used to meet shortfalls in promised payouts to PTC investors.

Key eligibility criteria for the receivables

The eligibility criteria shall be met on commencement of the transaction and also at each replenishment event for all the new assets being added as well as for the updated pool (as applicable).

- LTV of each Facility to be lower or equal to 85%
- more than 85% of the pool should have current bureau score of 700
- None of the loans should be from Andhra Pradesh or Jharkhand
- Minimum Current bureau score should be 650
- For all loans from Gujarat/ Karnataka/Madhya Pradesh latest bureau score must be greater than 700 OR MHP should be 7 months or more
- Maximum DPD with Berar Finance [as per data available in bureau] cannot be more than 30 days either in last 2 months, last 3 months or last 6 months]
- Maximum DPD with any other originator [as per data available in bureau] cannot be more than 30 days either in last 2 months, last 3 months or last 6 months]

Replenishment Trigger events are as follows:

- Rating downgrade of originator/servicer by 1 notch from date of transaction
- 30+ PAR on the outstanding pool breaches 10% [to be checked at each Replenishment Period Payout Date after assuming that pool collections as per Replenishment Waterfall after paying the PTC interest shall be utilized to purchase additional "nil overdue" contracts and such additional pool shall be part of the denominator while calculating the ratio. Nonetheless in case the Trigger is breached and Replenishment is stopped from that month, additional 'nil overdue' contracts shall not be purchased as per the Replenishment Waterfall during that month]
- Satisfaction of conditions that will trigger Turbo Amortization Trigger

Trigger events for early amortisation

The key early amortisation triggers which will lead to end of amortisation period are mentioned below.

- PAR 90 of the pool exceeds 4% of the Initial Pool.
- Asset Cover Ratio [Nil DPD and 1-30 DPD Loans at end of month / Net PTC O/s (Net PTC is PTC O/s less available cash collateral)] falls less than 105%
- Cumulative liquidity mismatch in any of the standard buckets (as prescribed the RBI) of the Servicer [to be checked quarterly]
- Capital Adequacy Ratio (CAR) of the Servicer (as reported to RBI) falls below 15% [to be checked quarterly]
- Net Non-Performing Loans of the Servicer exceeds 5%, where Net Non-Performing Loans = [(PAR 90 + Restructured Troubled Loans – Total Provisions)/Asset under Management]

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular and basis the eligibility criteria during the replenishment period, the follow-on pools are also expected to be granular, 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. Further as per the transaction structure, Series A1a PTCs would receive principal collections till the attachment month and thus the pool cashflow cover over Series A1a PTCs payouts is significantly high that supports the rating assigned to PTC Series A1a.

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, ~98% of 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

Moderate pool selection criteria: A potential concern pertaining to a replenishing structure is the uncertainty regarding the exact composition of the additional receivables. While the current transaction structure has a specified eligibility criteria for the follow-on pools may have a lower seasoning, lower interest rate contracts, contracts from weaker geographies and moderate share of lower bureau score contracts. A higher presence of lower interest rates contracts would impact the excess interest spread adversely which acts as a credit enhancement in the structure.

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.

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. However, since the pool in the current transaction would be revised during the replenishment period, the characteristics of the pool would change unlike other PTC transactions where the pool is static. ICRA has used the defined eligibility criteria to arrive at a potential loss for the follow-on pools. The resulting collections from the current pool and follow on pools, 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 transaction, ICRA has estimated the shortfall in the principal of the pool crystallised at the end of replenishment period at 5.50% of the initial pool principal at end of its tenure with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 3% to 9% 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:

Superior for Series A1a PTCs

The liquidity for Series A1a PTCs is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 7 times the estimated loss in the pool.

Strong for Series A1b PTCs

The liquidity for Series A1b PTCs is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~4.25 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Since the principal amortisation would begin on crystallization of final pool, the rating is unlikely to be upgraded till the final pool is crystalized. The rating could be upgraded basis healthy collections observed in final crystalized pool leading to buildup of credit enhancement cover over the rated PTCs.

Negative factors - The rating could be downgraded on occurrence of trigger events, non-adherence to the key transaction terms and deterioration in performance of follow-on pools such that delinquencies during the amortisation period are higher-than-expected. Weakening the credit profile of the servicer (Berar) could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of BFL's portfolio till June 2026, 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	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. Power of Attorney
4. Legal opinion
5. Trustee letter
6. Other key or important 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

Berar Finance Limited (Berar) 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. Berar primarily finances two-wheelers (2Ws). It also provides used car loans, personal loans and secured MSME loans. Berar has now discontinued the used car loans segment.

While its operations are concentrated in Maharashtra, Berar has expanded to eight other states, i.e. Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Telangana, Gujarat, Jharkhand, Karnataka and Odisha. As on June 30, 2026, the company's loan book was Rs. 1,878.7 crore.

Key Financial Indicators (audited)

	FY2025	FY2026	Q1FY2027
Total income	295	358	107
Profit after tax	32	36	14
Total Managed Assets	1,625	2,079	2,162
Gross Stage 3	4.4%	3.7%	3.7%
CRAR	22.3%	25.1%	23.7%

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	Amount rated (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
			October 01, 2026	-	-	-
Enigma Trust 2026	Series A1a PTCs	21.67	Provisional [ICRA]AA-(SO)	-	-	-
	Series A1b PTCs	21.67	Provisional [ICRA]A-(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1a PTCs	Highly Complex
Series A1b PTCs	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 name	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating	Financial Sector Regulator [#]
Enigma Trust 2026	Series A1a PTCs	September 28, 2026	-	August 23, 2033	21.67	Provisional [ICRA]AA-(SO)	RBI
	Series A1b PTCs		-		21.67	Provisional [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

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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.

For more information, visit www.icra.in

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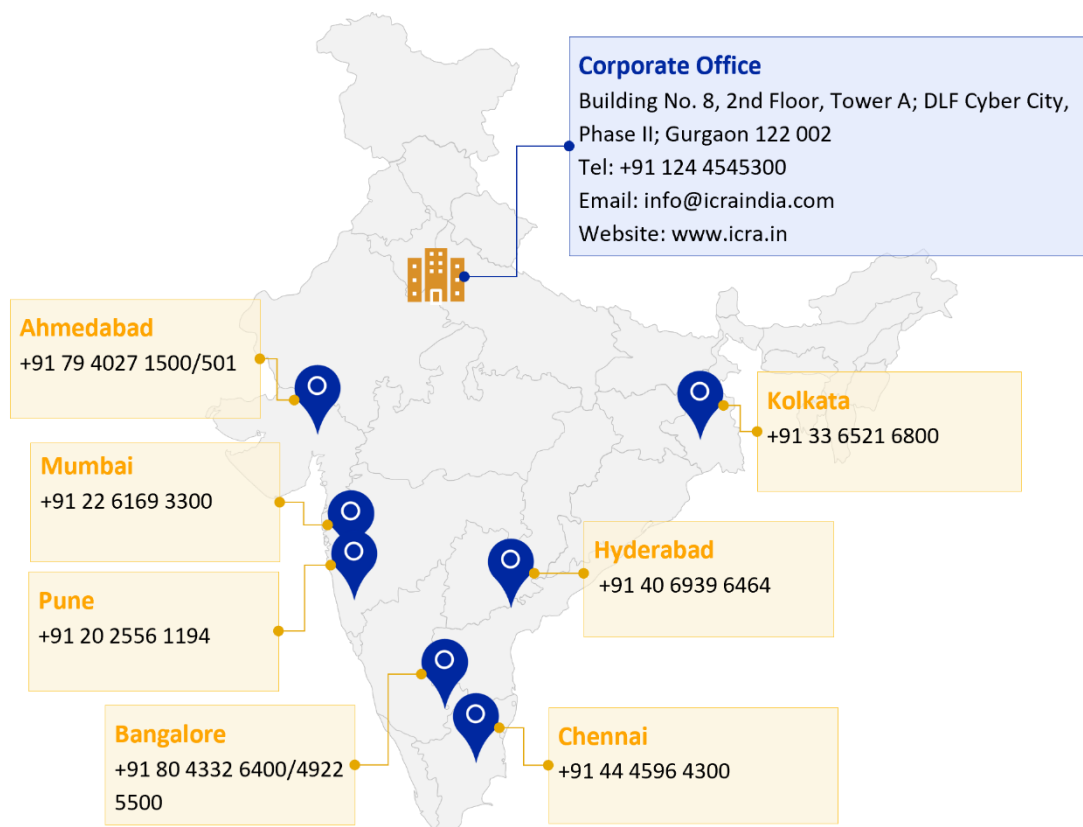


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