

August 21, 2025

## Berar Finance Limited: Provisional [ICRA]A+(SO) assigned to Series A1 PTCs and Provisional [ICRA]A-(SO) assigned to Equity Tranche PTCs backed by two-wheeler loan receivables issued by Akaay 08 2025

### Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Akaay 08 2025	Series A1 PTCs	24.33	Provisional [ICRA]A+(SO); assigned
	Equity Tranche PTCs	1.12	Provisional [ICRA]A-(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 two-wheeler loan receivables originated by Berar Finance Limited {BFL/Originator; rated [ICRA]BBB (Stable)} with an aggregate principal outstanding of Rs. 27.97 crore (underlying pool receivables of Rs. 33.58 crore).

The provisional ratings are 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 ratings are 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 for Series A1 PTCs comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to Series A1 PTCs, followed by Equity Tranche PTCs (after Series A1 PTCs are fully paid off). The residual cash flow from the pool, after meeting the promised and expected payouts, will be used for the prepayment of the Series A1 PTCs principal. Any prepayment in the pool would be used for the prepayment of the Series A1 PTCs principal (and to Equity Tranche PTCs after Series A1 PTCs are fully paid off).

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. 1.40 crore, to be provided by the Originator, (ii) subordination of 13.00% of the initial pool principal for Series A1 PTCs and 9.00% of the initial pool principal for Equity Tranche PTCs, and (iii) the excess interest spread (EIS) of 13.75% of the initial pool principal for Series A1 PTCs and Equity Tranche PTCs.

### Key rating drivers and their description

#### Credit strengths

**Granular pool supported by presence of credit enhancement** – The current pool is granular, consisting of 4,543 contracts. The and top 10 contracts forming less than ~1% 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 after loan disbursement. This reflects the relatively better credit profile of the borrowers, which is a credit positive.

**Servicing capability of BFL** – BFL has adequate processes for servicing the loan accounts in the securitised pool. It has a long track record of regular collections and recoveries 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, Madhya Pradesh and Chhattisgarh, contributing 100% 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.

### 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 5.00% 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 ratings for the instruments.

### Liquidity position: Strong

The liquidity for the Series A1 and Equity Tranche PTCs is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.75 times and 5.00 times the estimated loss in the pool for the Series A1 and Equity Tranche PTCs, respectively.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the credit enhancement cover for the remaining payouts.

**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 (BFL) could also exert pressure on the ratings.

## Analytical approach

The rating action is based on the analysis of the performance of BFL's portfolio till March 2025, 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	<a href="#">Securitisation Transactions</a>
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 ratings are 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](http://www.icra.in).

## About the originator

Berar Finance Limited (BFL) 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 personal loans and secured micro, small and medium enterprise (MSME) loans. BFL has discontinued the used car loan segment. The company has started disbursing secured small and medium enterprise (SME) loans with a ticket size of Rs. 5-6 lakh. As on September 30, 2024, the assets under management (AUM) for this product was ~Rs. 19 crore.

While its operations are concentrated in Maharashtra, BFL has expanded to five other states, i.e., Chhattisgarh, Madhya Pradesh, Telangana, Gujarat and Karnataka. It commenced operations in Odisha in FY2025. As on March 31, 2025, the company's loan book was Rs. 1,386 crore.

### Key financial indicators

Berar Finance Limited	FY2023	FY2024	FY2025
	Audited	Audited	Audited
Total income	218	252	295
Profit after tax	17	22	32
Total assets	1,170	1,351	1,625
Gross stage 3	4.7%	4.6%	4.4%
CRAR	26.3%	25.0%	22.3%

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 (FY2026)			Chronology of rating history for the past 3 years		
	Instrument	Current amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
			Aug 21, 2025			
Akaay 08 2025	Series A1 PTCs	24.33	Provisional [ICRA]A+(SO)	-	-	-
	Equity Tranche PTCs	1.12	Provisional [ICRA]A-(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTCs	Moderately Complex
Equity Tranche 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	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current amount rated (Rs. crore)	Current rating
Akaay 08 2025	Series A1 PTCs	August 14, 2025	10.05%	December 15, 2027	24.33	Provisional [ICRA]A+(SO)
	Equity Tranche PTCs	August 14, 2025	--	December 15, 2027	1.12	Provisional [ICRA]A-(SO)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Not applicable

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## 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](http://www.icra.in)

## ICRA Limited

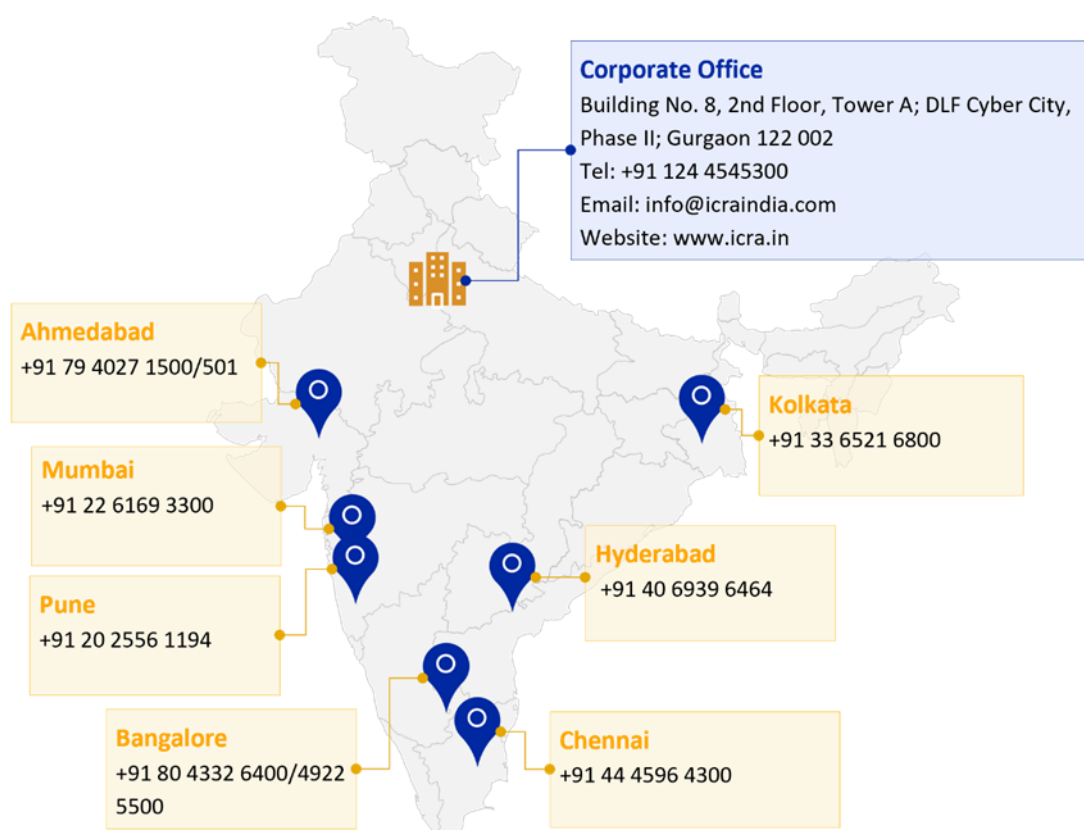


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