

August 21, 2025

## Berar Finance Limited: Rating confirmed as final for PTCs issued under a two-wheeler loan receivables securitisation transaction

### Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating Action
SENTINEL 2025	Series A1 PTC	37.23	[ICRA]A-(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned provisional rating to the pass-through certificates (PTCs) issued by SENTINEL 2025 under a securitisation transaction originated by Berar Finance Limited {BFL/Originator; rated [ICRA]BBB(Stable)}. The PTCs are backed by a pool of two-wheeler loan receivables originated by BFL with an aggregate principal outstanding of Rs. 41.83 crore (pool receivables of Rs. 49.96 crore). BFL is also the servicer for the rated 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	SENTINEL 2025
Payout month	July 2025
Months post securitisation	3
PTC Series A1 amortisation	0.03%
Cumulative prepayment rate	0.6%
Cumulative collection efficiency <sup>1</sup>	96.9%
Loss cum 0+ dpd <sup>2</sup>	9.0%
Loss cum 30+ dpd <sup>3</sup>	1.3%
Loss cum 90+ dpd <sup>4</sup>	0.0%
Cumulative cash collateral (CC) utilisation	0.0%

### Transaction structure

As per the transaction structure, the tenure of the pool shall be divided into two periods – replenishment period and amortisation period.

#### Replenishment period

The replenishment period will be for 18 months from the transaction commencement date. During this period, the Series A1 PTC investors will receive only the promised interest payouts on a monthly basis and the balance pool collections will be used by the trust to purchase fresh loan receivables as per the selection criteria such that the pool remains unchanged. If there is any shortfall in assigning eligible contracts, the extent of difference between the principal repayment of the pool and replenishment done for the month shall be used for amortising the PTC. Any residual amount will flow back to the Originator.

<sup>1</sup> Cumulative collections (incl. advances)/ (Cumulative billings + Opening overdue at the time of securitisation)

<sup>2</sup> Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

<sup>3</sup> Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation

<sup>4</sup> Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

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 any time during the replenishment period, then the tenure of the PTCs shall be reduced and will be co-terminus with the remaining tenure of the pool of receivables assigned to the trust.

#### **Amortisation period**

Post the replenishment period, the residual pool collections will be utilised to repay Series A1 PTC. The monthly cash flow schedule will comprise of the promised interest payout for Series A1 PTC. The principal for Series A1 PTC 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 excess interest spread (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.

The credit enhancement available in the structure is in the form of (i) CC of 5.00% of the initial pool principal, amounting to Rs. 2.09 crore, by the Originator, (ii) principal subordination of 11.00% of the initial pool principal for Series A1 PTC and (iii) EIS in the structure.

#### **Key eligibility criteria for the receivables**

The eligibility criteria shall be met:

- On the commencement of the transaction
- At each replenishment event for all the new assets being added as well as for the updated pool (as applicable)

The receivables in the follow-on pools shall meet the same eligibility criteria as applicable for the receivables that were a part of the underlying pool at the initiation of the transaction and the following additional key eligibility criteria will have to be met:

- Weighted average IRR of replenished pool should not be less 2% than weighted average IRR of the initial pool
- Maturity date of the underlying loans of the replenished pool should not be beyond the maturity date
- No incremental loans from Karnataka and Telangana unless seasoning of the loans is greater than 6 months

Post completion of Replenishment Period the transaction shall follow Amortization Waterfall

#### **Replenishment Trigger events are as follows:**

- Utilisation of CC to service Series A1 interest
- Rating downgrade of Originator/servicer by two notches
- 30+ PAR on the outstanding pool breaches 10%
- Satisfaction of conditions that will trigger turbo amortisation trigger

#### **Trigger events for early (turbo) amortisation**

In the event the following conditions are met, the payment available to the residuary beneficiary shall not be made and will instead be used to prepay the Series A1 PTCs.

- Portfolio at risk (PAR) 90 of the pool exceeds Rs. 2.09 crore
- Asset coverage ratio falls less than 105%
- Cumulative liquidity mismatch in any of the standard buckets of the servicer
- Capital Adequacy Ratio of the servicer falls below 15%
- Net Non-Performing Loans of the servicer exceeds 5%

## 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.

**No overdue contracts in the pool** – The initial pool has no overdue contracts as on pool cut-off date. Further any follow-on pool would also not include any overdue contracts on date of assignment to trust which is a credit positive.

**Servicing capability of BFL** – BFL has adequate processes for servicing of the loan accounts in the securitised pool. 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 both the initial and the follow-on pools 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 6.25% at the end of its tenure 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	SENTINEL 2025
Originator	Berar Finance Limited
Servicer	Berar Finance Limited
Trustee	MITCON Credentia Trusteeship Services Limited
CC holding bank	Ujjivan Small Finance Bank
Collection and payout account Bank	ICICI Bank

## 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 ~3.25 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** - Since the principal amortisation would begin on crystallisation of final pool, the rating is unlikely to be upgraded till the final pool is crystalized. The rating could be upgraded basis the 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 the performance of follow-on pools such that delinquencies during the amortisation period are higher-than-expected. Weakening in the credit profile of the service could also exert pressure on the rating.

## 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	<a href="#">Securitisation Transactions</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

## About the originator

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 MSME loans. Berar has now discontinued used car loans segment. The company has started disbursement of secured SME product with the ticket size of Rs. 5 lakhs to 6 lakhs and as on March 31, 2025 the AUM for the product stands at ~Rs. 35 crore.

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

## Key financial indicators (audited)

Particulars	FY2023	FY2024	FY2025
Total income	218	252	295
Profit after tax	17	22	32
Total Managed 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	Instrument	Amount Rated (Rs. crore)	Current Rating (FY2026)		Chronology of Rating History for the Past 3 Years		
			Date & Rating in FY2026		Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
			August 21, 2025	May 06, 2025	-	-	-
SENTINEL 2025	Series A1 PTC	37.23	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	-

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	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
<b>SENTINEL 2025</b>	Series A1 PTC	April 30, 2025	11.30%	February 24, 2029	37.23	[ICRA]A-(SO)

Source: Company

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

Not applicable

## ANALYST CONTACTS

**Manushree Sagar**

+91 22 6114 3440

[manushrees@icraindia.com](mailto:manushrees@icraindia.com)

**Anubha Rustagi**

+91 22 6114 3456

[anubha.rustagi2@icraindia.com](mailto:anubha.rustagi2@icraindia.com)

**Sheetal Nayak**

+91 22 6114 3411

[sheetal.nayak@icraindia.com](mailto:sheetal.nayak@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Vishal Oza**

+91 22 6114 3472

[vishal.oza2@icraindia.com](mailto:vishal.oza2@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6169 3304

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

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

[info@icraindia.com](mailto: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](http://www.icra.in)

## ICRA Limited



### Registered Office

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



### Branches



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