September 02, 2025

# Berar Finance Limited: Rating upgraded for PTCs issued under two-wheeler loan securitisation transaction

## Summary of rating action

| Trust Name | Instrument* | Initial Amount Rated (Rs. crore) | Amount O/s after last surveillance (Rs. crore) | Current Amount Rated (Rs. crore) | Rating Action |
|---|---|---|---|---|---|
| **Knight 09 2023** | Series A1 PTC | 14.26 | 10.98 | 2.47 | [ICRA]A+(SO); upgraded from [ICRA]A-(SO) |

**Instrument details are provided in Annexure I*

## 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)}. BFL is also the servicer for the rated transaction.

The rating has been upgraded on account of the build-up of the credit enhancement cover over the future PTC payouts. The rating draws comfort from the fact that the breakeven collection efficiency is comfortably lower compared to the actual collection levels observed in the pool till the July 2025 payout month.

### Pool performance summary

| Parameter | Knight 09 2023 |
|---|---|
| **Payout month** | July 2025 |
| **Months post securitisation** | 22 |
| **Pool amortisation[1]** | 77.4% |
| **Series A1 PTC amortisation** | 82.6% |
| **Cumulative collection efficiency[2]** | 98.4% |
| **Loss-cum-30+ days past due (dpd[3]; % of initial pool)** | 4.2% |
| **Loss-cum-90+ dpd[4] (% of initial pool)** | 2.3% |
| **Cumulative cash collateral (CC) utilisation** | 0.0% |
| **CC available (as % of balance pool)[1]** | 22.1% |
| **Excess interest spread (EIS[5]; % of balance pool)[1]** | 8.0% |
| **Principal subordination (% of balance pool)[1]** | 31.0% |
| **Breakeven collection efficiency[6]** | 44.4% |

[1] *Including principal overdue amount*
[2] *(Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)*
[3] *Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 30 days, as a % of Initial pool principal*
[4] *Inclusive of unbilled and overdue principal portion of delinquent contracts overdue by more than 90 days, as a % of Initial pool principal*
[5] *(Pool cash flows – Cash flows to PTC investors – Originator's residual share)/Pool principal outstanding*
[6] *(Balance cash flows payable to investor – CC available)/Balance pool cash flows*

## Transaction structure

As per the structure, the tenure of the transaction is divided into two periods, viz. the replenishment period and the amortisation period. The replenishment period was for a period of 12 months from the transaction commencement date, which ended after the September 2024 payout. The transaction is now in the amortisation period and the first payout to Series A1 PTC was made in October 2024.

During the replenishment period, Series A1 PTC investors received only the promised interest payouts on a monthly basis. Following the interest payment, the balance pool principal collections were utilised to purchase additional loan receivables as per the eligibility criteria. Further, the PTCs were prepaid if there was a shortfall in assigning eligible contracts.

During the amortisation period, the monthly cash flow schedule comprises the promised interest payout to Series A1 PTC. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is entirely 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 the Series A1 PTC principal.

## Key rating drivers and their description

### Credit strengths

**Build-up of credit enhancement** – The rating factors in the build-up in the credit enhancement with the CC increasing to 22.1% of the balance pool principal from 5.0% at the time of securitisation. Credit support is also available through subordination of 31.0% and EIS of 8.0% of the balance pool principal.

**Healthy pool performance** – The pool's performance has been healthy with a cumulative collection efficiency of 98.4% as on July 2025 payout, which has resulted in lower delinquency with the 90+ days past due (dpd) at 2.3%. The break-even collection efficiency is significantly lower than the actual collections seen in the pool. Further, there have been no instances of CC utilisation for the pool till date owing to healthy collection performance and the presence of EIS in the transaction.

**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

**Risks associated with lending business** – The pool's performance 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. 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, which is now static following the end of the replenishment period, ICRA has estimated the shortfall in the pool principal collection during its tenure at 1.50% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 2.4% 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.

## Details of key counterparties

The key counterparties in the rated transaction are as follows:

| Transaction Name | Knight 09 2023 |
|---|---|
| **Originator** | Berar Finance Limited |
| **Servicer** | Berar Finance Limited |
| **Trustee** | Catalyst Trusteeship Limited |
| **CC bank** | DCB Bank |
| **Collection and payout account bank** | ICICI Bank |

## Liquidity position: Superior

The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement is ~9.0 times the estimated loss in the pool for Series A1 PTC.

## Rating sensitivities

**Positive factors –** The sustained strong collection performance of the underlying pool of contracts 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 of contracts 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 rating.

## Analytical approach

The rating action is based on the performance of the pool till the July 2025 payout month (June 2025 collection month), the present delinquency profile of the pool, the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Securitisation Transactions |
| **Parent/Group support** | Not applicable |
| **Consolidation/Standalone** | Not applicable |

## 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). Promoted by Mr. M. G. Jawanjar, the company was incorporated in 1990. BFL primarily finances two-wheelers and also provides personal loans and secured micro, small and medium enterprise (MSME) loans. It has discontinued used car loan segment. The company has started disbursing its secured small and medium enterprises (SME) product with a ticket size of Rs. 5-6 lakh and the assets under management (AUM) for this product stood at ~Rs. 44 crore as on June 30, 2025.

While its operations are concentrated in Maharashtra, BFL has a presence in five other states, i.e., Chhattisgarh, Madhya Pradesh, Telangana, Gujarat and Karnataka, and commenced operations in Odisha in FY2025. As on June 30, 2025, the company's loan book was Rs. 1,416 crore.

### Key financial indicators

| BFL | FY2024 | FY2025 | Q1FY2026* |
|---|---|---|---|
| **Total income** | 252 | 295 | 81 |
| **Profit after tax** | 22 | 32 | 6 |
| **Total managed assets** | 1,351 | 1,625 | 1,655 |
| **Gross stage 3 assets** | 4.6% | 4.4% | 4.5% |
| **CRAR** | 25.0% | 22.3% | 21.8% |

*Source: Company, ICRA Research; All calculations and ratios are as per ICRA Research; Amount in Rs. crore; *Provisional*

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

| S. No. | Trust name | Current rating (FY2026) | | | | Chronology of rating history for the past 3 years | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Instrument | Initial amount rated (Rs. crore) | Current amount rated (Rs. crore) | Date & rating in FY2026 | Date & rating in FY2025 | Date & rating in FY2024 | | Date & rating in FY2023 |
| | | | | | September 02, 2025 | December 27, 2024 | Dec 22, 2023 | Oct 06, 2023 | - |
| 1 | **Knight 09 2023** | Series A1 PTC | 14.26 | 2.47 | **[ICRA]A+(SO)** | **[ICRA]A-(SO)** | **[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 Type | Date of Issuance | Coupon Rate (p.a.p.m.) | Maturity Date | Amount Rated (Rs. crore) | Rating |
|---|---|---|---|---|---|---|
| **Knight 09 2023** | Series A1 PTC | September 29, 2023 | 11.85% | June 23, 2027 | 2.47 | [ICRA]A+(SO) |

*Source: Company*

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

Not applicable

## ANALYST CONTACTS

**Abhishek Dafria**
+91 22 6114 3440
abhishek.dafria@icraindia.com

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

**Anubha Rustagi**
+91 22 6114 3456
anubha.rustagi2@icraindia.com

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

**Sheetal Nayak**
+91 22 6114 3411
sheetal.nayak@icraindia.com

## RELATIONSHIP CONTACT

**Mr. L Shivakumar**
+91 22 6169 3304
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