

September 12, 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*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Norton 06 2025	Series A1 PTC	16.53	16.53	[ICRA]BBB+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In June 2025, ICRA had assigned provisional rating to the pass-through certificates (PTCs) issued by Norton 06 2025. The 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. 18.16¹ crore (pool receivables of Rs. 22.03¹ 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	Norton 06 2025
Payout month	August 2025
Months post securitisation	2
Series A1 PTC amortisation	0.0%
Cumulative prepayment rate	0.4%
Cumulative collection efficiency ²	98.5%
Monthly collection efficiency	99.2%
Loss cum 0+ dpd ³	3.4%
Loss cum 30+ dpd ⁴	0.2%
Loss cum 90+ dpd ⁵	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 13 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. The balance pool collections will be used by

¹ The principal and cashflows of the securitised pool have reduced by Rs. 0.01 crore on account removal of one contract during transaction settlement

² Cumulative collections (incl. advances)/ (Cumulative billings + Opening overdue at the time of securitisation)

³ Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

⁴ Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation

⁵ Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

the trust to purchase fresh loan receivables as per the selection criteria such that the pool principal outstanding does not exceed initial pool principal. If there is any shortfall in assigning eligible contracts, the 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.

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. After the completion of the replenishment period, the transaction shall follow the amortisation waterfall.

Amortisation period

Following the replenishment period, the residual pool collections will be utilised to repay Series A1 PTC. The monthly cash flow schedule will comprise 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) a CC of 4.50% of the initial pool principal, amounting to Rs. 0.82 crore, provided by the Originator, (ii) principal subordination of 9.00% (including equity tranche of 6.00% of the pool principal) for Series A1 PTC, and (iii) the EIS of 8.30% (for the amortisation period) of the pool principal in the structure.

Early amortisation trigger events

On the occurrence of any of the following trigger events, the replenishment period will end immediately with no further loans/receivables being purchased and the PTCs will move to the amortisation period.

- Follow-on receivables provided are less than 90% of the accumulated amount on any payout date
- The collection efficiency falls below 90% for two consecutive months
- Seller's event of default
- Rating of the servicer/Seller falls by one notch or more
- The rating of the Series A1 PTC falls by one notch or more
- More than 5.0% of the underlying pool has portfolio at risk (PAR) >90
- Series A1 PTC outstanding is more than the original ratio (91.00%) of the principal outstanding value of all the underlying loans in the outstanding pool that are current
- Utilisation of CC

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 PTC.

- If the PAR 90 of the pool exceeds 5.00% of the initial pool principal
- If the rating of the Series A1 PTC falls by one notch or more
- If the rating of the Servicer falls below BBB

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 a part of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool – The initial pool had no overdue contracts as on pool cut-off date. Further, any follow-on pool would not include any overdue contracts on the date of assignment to the 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 5.00% 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	Norton 06 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 ~3.50 times the estimated loss in the pool.

Rating sensitivities

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

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

Particulars	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	4.6%	4.4%	4.5%
CRAR	25.0%	22.3%	21.8%

Source: Company data, ICRA Research; Note: 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

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
			Sep 12, 2025	Jun 23, 2025	-	-	-
Norton 06 2025	Series A1 PTC	16.53	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(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
Norton 06 2025	Series A1 PTC	June 30, 2025	11.20%	December 18, 2028	16.53	[ICRA]BBB+(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.

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