

January 14, 2026

Berar Finance Limited: Rating confirmed as final for PTCs backed by two-wheeler loan receivables issued by DRIFT 08 2025

Summary of rating action

Trust name	Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
DRIFT 08 2025	Series A1 PTC	19.23	19.23	[ICRA]A+(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In August 2025, ICRA had assigned provisional rating to the Series A1 PTC, issued by DRIFT 08 2025. The PTCs are backed by a pool of two-wheeler loan receivables originated by Berar Finance Limited (BFL/Originator) with an aggregate principal outstanding of 22.11 crore (underlying pool receivables of Rs. 26.28 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	DRIFT 08 2025
Payout month	4
Months post securitisation	20.2%
Series A1 PTC amortisation	23.2%
Cumulative prepayment rate	1.4%
Cumulative collection efficiency ¹	98.2%
Monthly collection efficiency	98.2%
Loss cum 0+ dpd ²	6.4%
Loss cum 30+ dpd ³	0.8%
Loss cum 90+ dpd ⁴	0.03%
Cumulative cash collateral (CC) utilisation	0.0%

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

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

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

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

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal 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.

However, if a predefined trigger event occurs, the entire residual EIS every month shall be utilised for accelerating the principal payment due to Series A1 PTC. The event is triggered on the breach on any of the following conditions, i.e. (i) portfolio at risk (PAR) 90 of the pool exceeds 5.00%, (ii) cumulative collection efficiency of the pool is less than 90% for two consecutive months, (iii) BFL's rating falls below BBB, or (iv) the rating of any securitisation transaction in which BFL is the Originator is downgraded by one notch or more.

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. 1.11 crore, to be provided by the Originator, (ii) subordination of 13.00% of the initial pool principal for Series A1 PTC (including equity tranche of 4.00%), and (iii) the EIS of 12.24% of the initial pool principal for Series A1 PTC.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular, consisting of 3,882 contracts with the top 10 contracts forming less than 0.6% 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 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 were no overdue contracts as on the cut-off date. Further, all the contracts in the pool have never been delinquent after loan disbursement, 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. It has demonstrated long track record of regular collections and recovery 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, Chhattisgarh and Telangana contributing ~78% 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.

Exposure to interest rate risk – The pool has contracts with fixed interest rates while the PTC yield is floating (linked to State Bank of India's 3-month MCLR⁵ with quarterly reset). Hence, the transaction is exposed to interest rate risk and any adverse movement in the benchmark yield is likely to reduce the EIS available in the transaction.

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.

⁵ Marginal cost of funds-based lending rate

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 4.50% 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.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	DRIFT 08 2025
Originator	Berar Finance Limited
Servicer	Berar Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding Bank	Utkarsh 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 ~5.50 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating 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 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 (Berar/ 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 lakh to 6 lakh and as on September 30, 2025 the asset under management (AUM) for the product stands at ~Rs. 54 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 and Jharkhand. As on September 30, 2025, the company's loan book was Rs. 1,456 crore.

Key financial indicators (audited)

BFL	FY2024	FY2025	H1FY2026*
Total income	252	295	164
Profit after tax	22	32	13
Total managed assets	1,351	1,625	1,825
Gross stage 3 assets	4.6%	4.4%	4.5%
CRAR	25.0%	22.3%	20.5%

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

Trust Name	Instrument	Current Rating (FY2026)				Chronology of Rating History for the Past 3 Years		
		Initial Rated Amount (Rs. Crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2026		Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
				January 14, 2026	September 02, 2025			
DRIFT 08 2025	Series A1 PTC	19.23	19.23	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTC	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	Date of issuance / Sanction	Coupon rate (p.a.p.m.)*	Maturity date	Current amount rated (Rs. crore)	Current rating
DRIFT 08 2025	Series A1 PTC	August 30, 2025	10.00%	February 23, 2029	19.23	[ICRA]A+(SO)

Source: Company; * Floating, linked to SBI's MCLR-3M plus a spread of 175 bps; to be reset quarterly with a floor and cap of 25 bps

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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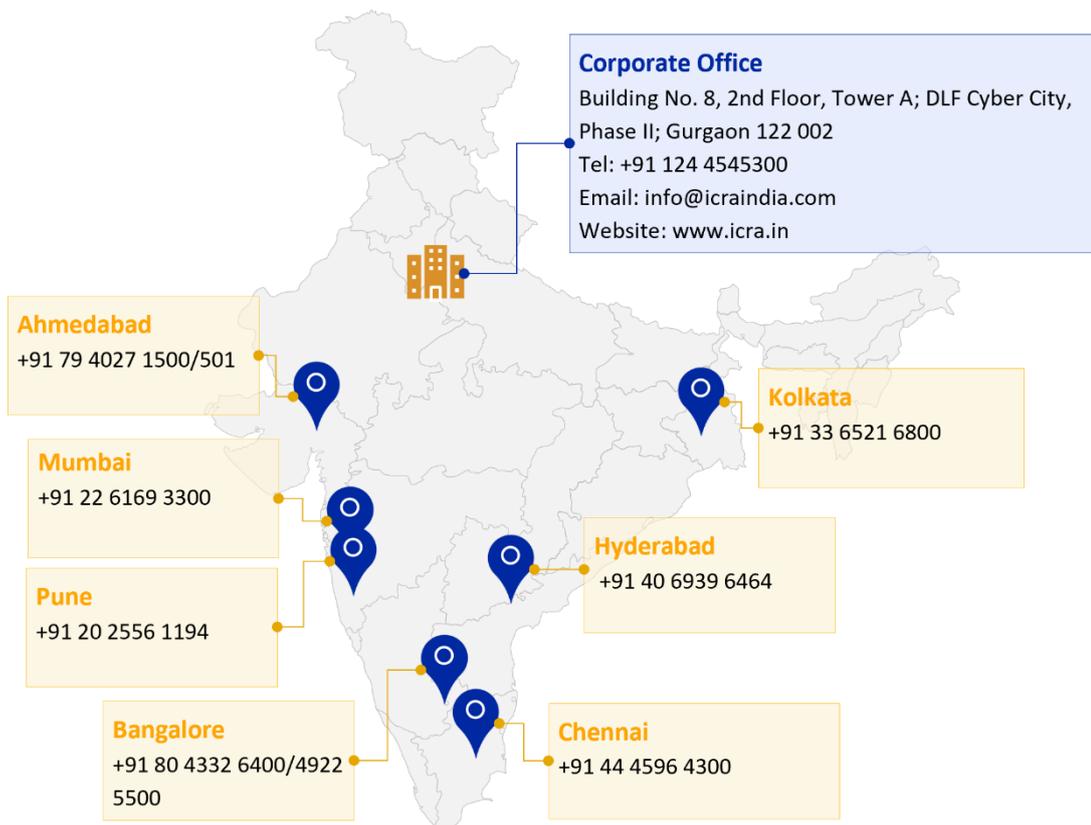
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