November 19, 2026

Berar Finance Limited: Ratings upgraded for PTCs issued under two-wheeler loan receivables 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	Financial sector regulator#
Akaay 08 2025	Series A1 PTCs	24.33	NA	3.06	[ICRA]AA-(SO); upgraded from [ICRA]A+(SO)	RBI
	Equity Tranche PTCs	1.12	NA	1.12	[ICRA]A+(SO); upgraded from [ICRA]A-(SO)	RBI

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The pass-through certificates (PTCs) are backed by a pool of two-wheeler loan receivables originated by Berar Finance Limited {BFL/Originator). BFL is also the servicer for the rated transaction.

The rating upgrade factors in healthy performance of the underlying pool and 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 October 2026 payout month.

Pool performance summary

Parameters	Akaay 08 2025
Payout month	October 2026
Months post securitisation	14
Pool amortisation	67.4%
Series A1 PTCs amortisation **Equity Tranche PTCs amortisation**	87.4% 0.0%
Cumulative collection efficiency[1]	97.8%
Monthly collection efficiency	97.7%
Loss-cum-30+ dpd (dpd[2]; % of initial pool)	3.5%
Loss-cum-90+ dpd[3] (% of initial pool)	0.5%
Cumulative cash collateral (CC) utilisation	0.0%
CC available (as % of balance pool)	15.3%
Excess interest spread (EIS[4]; % of balance pool): **Series A1 PTCs** **Equity Tranche PTCs**	 8.6% 8.6%
Principal subordination (% of balance pool): **Series A1 PTCs** **Equity Tranche PTCs**	 66.4% 54.2%
Breakeven collection efficiency (% of balance pool): **Series A1 PTCs** **Equity Tranche PTCs**	 17.1% 28.4%

[1] (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdue at the start of the transaction)

[2] POS including overdue pos on contracts aged 30+ dpd / POS on the pool at the time of securitization

[3] POS including overdue pos on contracts aged 90+ dpd / POS on the pool at the time of securitization

[4] (Pool cash flows – Cash flows to PTC investors – Originator's residual share)/Pool principal outstanding

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).

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 cash collateral (CC) increasing to ~15.3% of the balance pool principal from 5.0% at the time of securitisation. Credit support is also available through subordination/over-collateralisation of ~66.4% for Series A1 PTCs and excess interest spread (EIS) of the balance pool principal.

Healthy pool performance – The pool's performance has been healthy with a cumulative collection efficiency of 97.8% as on October 2026 payout, which has resulted in lower delinquency with the 90+ days past due (dpd) at 0.5%. The break-even collection efficiency at ~28.4% is lower than the actual collections seen in the pool. Further, there have been no instances of cash collateral 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 of the loan accounts in the securitised pool. The company is in the lending business for more than three decades. 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 state, viz Maharashtra, alone contributing ~53% to the balance 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 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 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, ICRA has estimated the shortfall in the pool principal collection during its tenure at 2.00% 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 9.0% 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	Akaay 08 2025
Originator	Berar Finance Limited
Servicer	Berar Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC Holding Bank	Indian Overseas Bank
Collection and payout account Bank	ICICI Bank Limited

Liquidity position

Superior for Series A1 PTCs and Equity Tranche PTCs

The liquidity for Series A1 PTCs and Equity Tranche PTCs is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 10 times the estimated loss in the pool for both the tranches.

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 October 2026 payout 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 (Berar) 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. Berar primarily finances two-wheelers (2Ws). It also provides used car loans, personal loans and secured MSME loans. Berar has now discontinued the used car loans segment.

While its operations are concentrated in Maharashtra, Berar has expanded to eight other states, i.e. Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Telangana, Gujarat, Jharkhand, Karnataka and Odisha. As on June 30, 2026, the company's loan book was Rs. 1,878.7 crore.

Key financial indicators

BFL	FY2025	FY2026	Q1FY2027
Total income	295	358	107
Profit after tax	32	36	14
Total managed assets	1,625	2,079	2,162
Gross stage 3	4.4%	3.7%	3.7%
CRAR	22.3%	25.1%	23.7%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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 (FY2027)				Chronology of rating history for the past 3 years			
	Instrument	Initial amount rated (Rs. crore)	Current amount rated (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026		Date & rating in FY2025	Date & rating in FY2024
				November 19, 2026	November 18, 2025	August 21, 2025	-	-
Akaay 08 2025	Series A1 PTCs	24.33	3.06	**[ICRA]AA-(SO)**	**[ICRA]A+(SO)**	**Provisional [ICRA]A+(SO)**	-	-
	Equity Tranche PTCs	1.12	1.12	**[ICRA]A+(SO)**	**[ICRA]A-(SO)**	**Provisional [ICRA]A-(SO)**	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTCs	Highly Complex
Equity Tranche PTCs	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	Financial sector regulator#
Akaay 08 2025	Series A1 PTCs	August 14, 2025	10.05%	December 15, 2027	3.06	[ICRA]AA-(SO)	RBI
	Equity Tranche PTCs		-		1.12	[ICRA]A+(SO)	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Not applicable

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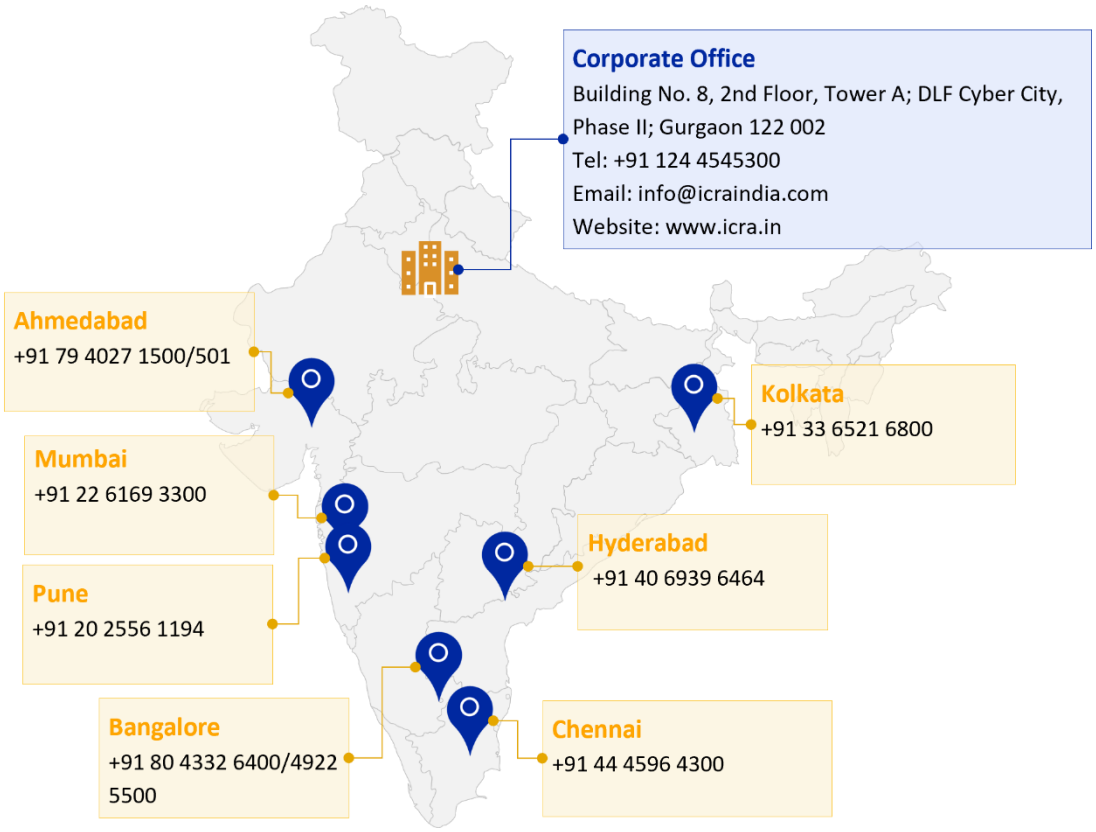
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