

January 13, 2025

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

### Summary of rating action

Trust Name	Instrument*	Initial rated amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Trisul 09 2024	Series A1 PTC	28.69	28.69	[ICRA]A+(SO); provisional rating confirmed as final
	Equity Tranche PTC	1.65	1.65	[ICRA]BBB+(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned a Provisional rating to the pass-through certificates (PTCs) issued by Trisul 09 2024 under a securitisation transaction originated by Berar Finance Limited {BFL/Originator; rated [ICRA]BBB(Stable)}. BFL is the Servicer for the rated transaction. The PTCs are backed by a pool of two wheeler loan receivables originated by BFL with an aggregate principal outstanding of Rs. 32.98 crore pool receivables of Rs 38.47 crore). 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. Berar would be the servicer for the transaction.

### Pool performance summary

Parameter	Trisul 09 2024
Payout month	December 2024
Months post securitisation	3
Pool amortisation	16.7%
Series A1 PTC amortisation	19.2%
Equity Tranche PTC amortisation	0.00%
Cumulative prepayment rate	1.4%
Cumulative collection efficiency <sup>1</sup>	98.2%
Monthly collection efficiency	99.1%
Loss-cum 0+ days past due (dpd) <sup>2</sup>	4.9%
Loss cum 30+ dpd <sup>3</sup>	0.5%
Loss cum 90+ dpd <sup>4</sup>	0.0%
Cumulative cash collateral utilisation	0.0%

<sup>1</sup> Cumulative collections/ (Cumulative billings + Opening overdues 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

## Transaction structure

As per the transaction structure, the monthly cash flow schedule for Series A1 PTC 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 to Series A1 PTC, 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. Equity Tranche PTC payouts are completely subordinated to Series A1 PTC payouts. After payment of Series A1 PTCs in full, Equity Tranche PTC will be paid expected principal on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus EIS, after meeting the expected payouts to Equity Tranche PTCs, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the redemption of Equity Tranche PTC principal. The final maturity date for both the PTCs is December 17, 2026.

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. 1.65 crore, to be provided by the Originator, (ii) subordination of 13.00% of the initial pool principal for Series A1 PTC and 8.00% of the initial pool principal for Equity Tranche PTC, and (iii) the excess interest spread (EIS) of 10.42% of the initial pool principal for Series A1 PTC.

## Key rating drivers

### Credit strengths

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 6,900 contracts, with top 10 contracts forming only ~0.3% 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 amount 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 are no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have been delinquent post loan disbursement, thereby reflecting the borrowers' relatively better credit profile, which is a credit positive.

**Servicing capability of the originator** – The company 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 Chhattisgarh, Madhya Pradesh and Maharashtra, contributing ~92% 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.

**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.

## 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 3.75% 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

Transaction Name	Trisul 09 2024
Originator	Berar Finance Limited
Servicer	Berar Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding Bank	DCB Bank
Collection and payout account bank	ICICI Bank

### Liquidity position: Superior

#### Superior for Senior A1 PTC:

The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~6.00 times the estimated loss in the pool.

#### Strong for Equity Tranche PTC:

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 ~4.75 times the estimated loss in the pool. The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~6.00 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 could also exert pressure on the rating.

### Analytical approach

The rating actions are 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="#">Rating Methodology for Securitisation Transactions</a>
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 five other states, i.e. Chhattisgarh, Madhya Pradesh, Telangana, Gujarat and Karnataka. It commenced operations in Odisha in FY2025. As on September 30, 2024, the company's loan book was Rs. 1,159 crore.

#### Key financial indicators (audited)

	FY2023	FY2024	H1FY2025*
<b>Total income</b>	218	252	140
<b>Profit after tax</b>	17	22	16
<b>Total managed assets</b>	1,170	1,351	1,513
<b>Gross stage 3</b>	4.7%	4.6%	5.7%
<b>CRAR</b>	26.3%	25.0%	23.6%

Source: Company, ICRA Research; Amount in Rs. crore; \*Unaudited

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

**Any other information: None**

#### Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					Jan 13, 2025	Oct 08, 2024			
1	Trisul 09 2024	Series A1 PTC	28.69	28.69	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	-
		Equity Tranche PTC	1.65	1.65	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-	-

#### Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	Moderately Complex
Equity Tranche 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	Amount Rated (Rs. crore)	Current Rating
<b>Trisul 09 2024</b>	Series A1 PTC	September 30, 2024	10.60%	December 17, 2026	28.69	[ICRA]A+(SO)
	Equity Tranche PTC	September 30, 2024	--	December 17, 2026	1.65	[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.

For more information, visit [www.icra.in](http://www.icra.in)

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