

India Ratings Rates Berar Finance's Additional and Affirms Existing NCDs at 'IND BBB+'/Stable

Sep 09, 2026 | Berar Finance Limited | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Berar Finance Limited's (BFL) non-convertible debentures (NCDs):

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating Assigned with Outlook/Watch	Rating Action
Non-convertible debentures ^{#,*}	Refer ISIN annexure	-	-	-	300	IND BBB+/Stable	Assigned
Non-convertible debentures [*]	Refer ISIN annexure	-	-	-	800	IND BBB+/Stable	Affirmed

[#] Yet to be issued

^{*}Details in annexure

Analytical Approach

Ind-Ra continues to take a standalone view of BFL to arrive at the rating.

Detailed Rationale of the Rating Action

The rating reflects BFL's demonstrated ability to raise capital, resulting in a strong capitalisation profile; the extensive experience of its promoter in the two-wheeler (2W) financing business; and a comfortable leverage and funding profile relative to peers. The company successfully completed an equity infusion of INR1,400 million during 2HFY26 from two new investors. At end-1QFY27, BFL maintained a robust capital position, with a capital adequacy ratio of 23.68 % and a leverage ratio (debt-to-tangible net worth) of 3.17x.

The rating further factors in the company's consistent and profitable growth, reflected by its expansion of the scale of operations, with the assets under management (AUM) increasing to INR18,254 million in 1QFY27 (FY26: INR17,950 million, FY25: INR13,860 million). Its operational efficiency has also improved, as evidenced by higher AUM per branch, while asset quality and credit costs have remained well controlled through prudent underwriting and collection practices. Additionally, the rating is supported by BFL's long operating track record spanning multiple business cycles, its history of regular equity infusions, and the strengthening of its underwriting and collections framework over the past year.

The rating is, however, constrained by BFL's relatively new and hence unseasoned secured micro, small and medium enterprises (MSME) portfolio, limiting visibility on its performance across credit cycles. While early asset quality indicators remain stable, the portfolio needs to demonstrate sustained performance as it matures and moves through different economic and collection environments.

List of Key Rating Drivers

Strengths

- Steady expansion in scale of operations; reduced geographical concentration

- Adequate capital buffers supported by sustained investor backing and periodic equity infusions
- Experienced promoter and management team
- Healthy profitability profile
- Strengthening asset quality, led by effective collection mechanisms
- Diversified funding profile

Weaknesses

- Growing product diversification with execution risks

Detailed Description of Key Rating Drivers

Steady Expansion in Scale of Operations; Reduced Geographical Concentration: BFL has continued to strengthen its franchise in the core 2W financing business while progressively diversifying its geographic presence beyond Maharashtra. The share of Maharashtra in the overall portfolio declined to around 33% of its AUM at end-June 2026 (FY26: 34%, FY25: 38%), with the other states accounting for the remaining 67%. Supported by business expansion and deeper market penetration, the company's AUM to INR18,254 million at end-June 2026 (FY26: INR 17,950 million, FY25: INR13,860 million). Operational efficiency also improved, with AUM per branch increasing to INR105 million in 1QFY27 (FY26: INR100 million, FY25: INR90 million).

The company plans to further strengthen its franchise by adding around 40 branches during FY27, primarily in selective and profitable markets. Odisha has emerged as a meaningful contributor, accounting for about 7.5% of the AUM as of June 2026, while Jharkhand, where the company recently commenced operations through four branches, contributed around 1%. The company continues to focus on reducing state-level concentration risks by expanding into newer markets and plans to foray into Bihar and Uttar Pradesh, further diversifying its loan book.

BFL is among the oldest non-banking finance companies (NBFCs) focusing on 2W financing in central and western India. The company also has a differentiated position as one of the few NBFCs in India holding a public deposit license, enabling it to accept public deposits. Over its long operating history spanning multiple business cycles, BFL has developed an extensive distribution network, comprising partnerships with over 2,000 dealers and sub-dealers, which supports its growth and market reach.

Adequate Capital Buffers Supported by Sustained Investor Backing and Periodic Equity Infusions: BFL is supported by a strong set of private equity investors, including Amicus Capital Partners and Maj Investment. Further strengthening its capital base, the company completed an equity infusion of INR1,400 million in 2HFY26 from two new investors, First Bridge India and Abler Nordic Fund. As a result, BFL's tangible net worth increased to INR4,765 million to FYE26 (FYE25: INR3,104 million) and INR4,883 million in 1QFY27. Post-equity infusion, the promoter share declined to 28% in FY26 (FY25: 33%). The company's capitalisation remains comfortable, with a Tier I capital ratio of 21.6% and a leverage ratio (debt/tangible equity) of 3.17x in 1QFY27 (FY26: 3.1x, FY25: 3.9x). While capital levels are expected to support the company's planned growth trajectory and may be gradually absorbed as the balance sheet expands, the management intends to maintain a prudent leverage profile and expects the leverage to remain below 5x over the medium term. This provides adequate headroom to support future growth while maintaining balance sheet strength.

Experienced Promoter and Management Team: BFL is led by promoters with over two decades of experience in the 2W sector. The company is supported by a seasoned management team, with several senior executives bringing in over 10 years of domain-specific experience across key functional areas. Governance and strategic oversight are provided by an experienced board comprising nine directors, including three independent directors and four nominee directors, whose diverse and relevant expertise strengthens decision-making and risk management.

Healthy Profitability Profile: BFL's profit after tax increased to INR362 million in FY26 (FY25: INR322.5 million), supported by a stable lending yield of 23.4% (23.3%) and a moderate credit cost of 2.7%. However, the return on assets (RoA) reduced to 2.0% in FY26 (FY25: 2.2%), primarily due to higher average cost of borrowings of 11.5% (11.3%) and higher employee expenses of 5.0% of average earning assets (4.6%), following the establishment of a dedicated secured MSME team. The company made a profit of INR137 million in 1QFY27, aided by a stable yield of 23.2% and moderated credit cost of 2.5%.

Ind-Ra expects operating expenses to remain elevated over the near term (1QFY27: 6.15% of average loan assets), due to its ongoing branch expansion strategy. BFL has also made necessary investments in technology, infrastructure, and human resources to support its medium-term growth objectives. Over the past two years, the company has strengthened its

technology platform by implementing systems such as Finnone Neo, Oracle NetSuite, and Autonom8 LOS, improving operational efficiency and scalability. Nevertheless, Ind-Ra expects BFL to maintain adequate profitability for FY27-FY29, supported by healthy portfolio yields and a broadly stable cost of funds.

Strengthening Asset Quality, led by Effective Collection Mechanisms: BFL has continued to strengthen its risk management and collection capabilities, leading to a gradual improvement in asset quality metrics. The company upgraded its loan origination system (LOS) and loan management system (LMS) in July 2026 to enhance underwriting standards, monitoring capabilities, and overall portfolio quality. The company's asset quality improved in FY26, with gross non-performing assets (NPA) declining to 3.7% (FY25: 4.3%; FY24: 4.5%). The asset quality was stable in 1QFY27 with GNPA at 3.6%. Credit costs was 2.5% in 1QFY27 (FY26 : 2.7%, FY25: 2.6%). The improvement in portfolio performance was driven by the collection and monitoring initiatives taken by the company over the past year. Its collection efficiency increased to 95% as of June 2026 (March 2025: 89%), reflecting the effectiveness of the revised collection strategy.

The company's current approach focuses on early-stage delinquencies, with mandatory field visits for overdue accounts and increased monitoring of softer delinquency buckets. This has translated into improved roll-forward trends, particularly in the 60-90 days past due (dpd) bucket, which declined to INR273 million in March 2026 (March 2025: INR300 million). Additionally, dealer rankings are now reviewed monthly and integrated into credit decision-making, strengthening origination quality. BFL has established a dedicated collections infrastructure comprising both in-house teams and exclusive collection agents.

In the medium term, BFL's ability to sustain the improvement in asset quality through continued collection efficiency gains, a further moderation in delinquency levels, and maintenance of low credit costs will remain key rating monitorables. The performance of portfolios in newly entered geographies, as well as the seasoning and credit performance of the secured MSME segment will be important factors influencing the company's credit profile.

Diversified Funding Profile: BFL's established presence in the market has enabled it to establish strong relationships with a diverse set of funding partners, supporting a well-diversified liability profile. Term loans from banks and NBFCs remain the company's primary source of external funding.

The company maintains a prudent borrowing profile, with term loans constituting 83% of the total borrowings in FY26 (FY25: 85%). BFL's lender base is well diversified, comprising over 41 banks, small finance banks, and NBFCs. Furthermore, as a deposit-taking NBFC, the company benefits from access to retail and institutional deposits, which it has mobilised at competitive rates of 8.5%-9.5%, providing an additional source of stable and granular funding. The deposit share is 10% of the total borrowings.

Although the average cost of borrowing increased marginally during FY26, it remained largely stable at 11.5%, reflecting the company's established lender franchise and diversified funding mix. In the medium term, BFL's ability to maintain funding diversification, raise adequate debt at competitive rates to support its growth plans, and refinance upcoming maturities in a timely manner will remain key rating monitorables.

Growing Product Diversification with Execution Risks: As part of its diversification strategy, BFL aims to increase its share of secured MSME loans (FY26: INR800 million; FY25: INR400 million) to around 30% of total AUM over the next two years (FY26: 5%). Given that the company's historical focus has primarily been on 2W financing, the secured MSME segment represents a relatively new business vertical. Therefore, BFL's ability to scale up this portfolio while maintaining prudent underwriting standards, asset quality, and controlled credit costs will remain a key monitorable. While 2W financing continues to account for the majority of the portfolio (FY26: 92%), BFL has been gradually diversifying into secured MSME, with a focus on average ticket sizes of around INR0.5 million. The sub-INR0.5 million secured MSME segment remains a challenging space to operate in, given the higher operational intensity and risk management requirements. A sustained portfolio performance and business stability in this segment will be key factors to monitor. The performance, scalability, and asset quality of these relatively new product segments, along with their contribution to portfolio diversification, are key rating monitorables over the medium term.

Liquidity

Adequate: The company's liquidity profile is supported by its moderate leverage. The contractual asset-liability statement in June 2026 displayed a cumulative surplus of 23% of cumulative total outflows up to one year. The company does not have any cumulative mismatch as the loans are of short tenure of 18-24 months, and the borrowings have a tenure of 36-48 months. The management maintains on-balance sheet liquidity to manage two months of maturing debt obligations. As

on 30 June 2026, the company had cash and bank balance of INR1,200 million along with unutilised overdraft of INR554 million which is sufficient to meet its debt obligation of INR1,430 million in the next two months.

Rating Sensitivities

Positive: Following factors collectively could lead to a positive rating action:

- an expansion of the franchisee while improving profitability
- the maintenance of adequate liquidity buffers
- adequate control on asset quality along with scale

Negative: Inability to scale up its operations, an increase in the leverage (the leverage exceeding 4.5x, on a sustained basis), deterioration in the asset quality and challenges in raising funds could result in a negative rating action.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on BFL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra’s ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

Nagpur-based BFL is a deposit-taking RBI-registered NBFC. It has been operating for over three decades and is engaged in 2W financing in rural and semi-urban areas. Its operations are spread across Maharashtra, Madhya Pradesh, Chhattisgarh, Telangana, Gujarat, Odisha , Jharkhand, Andhra Pradesh, and Karnataka with 166 branches as on 31 March 2026. The company is promoted by M G Jawanjar, who is the executive chairman and his son Sandeep Jawanjal is the managing director. The company’s AUM was INR18,254 million in 1QFY27, of which 2W (including refinancing) accounted for 92%.

Key Financial Indicators

Particulars (INR million)	FY26	FY25
Total assets	20,358	15,887
Total tangible equity	4,765	3,104
Profit after tax	362	322.5
Return on average assets (%)	2.01	2.23
Source: Ind-Ra; Company		

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (INR million)	Current Ratings/Outlook	Historical Rating/Outlook				
				27 July 2026	8 August 2025	11 July 2025	21 January 2025	16 April 2024
Non-convertible debentures	Long-term	1,100	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable	IND BBB/Positive	IND BBB/Positive

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Rating Activities

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Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

ISIN	Regulator of Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating /Outlook
INE998Y07162	SEBI	12 February 2025	11.50	12 Feb 2027	300	IND BBB+/Stable
INE998Y07204	SEBI	29 August 2025	10.95	29 August 2027	300	IND BBB+/Stable
	SEBI			Total unutilised	500	IND BBB+/Stable
				Total#	1,100	
Source : NSDL, Company						

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Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

Evaluating Corporate Governance

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