

# India Ratings Rates Berar Finance’s NCDs and Affirm Existing Rating at ‘IND BBB+’/Stable

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Non Banking Financial Company (NBFC)

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

## Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/ Watch	Rating Action
Non-convertible debentures^*	-	-	-	INR500	IND BBB+/Stable	Assigned
Non-convertible debentures*	-	-	-	INR550	IND BBB+/Stable	Affirmed

\*Details in annexure

^ Yet to be issued

## Analytical Approach

Ind-Ra has taken a standalone view of BFL for the rating review.

## Detailed Rationale of the Rating Action

The rating reflects consistent profitable growth in the franchisee, an expansion in its scale of operations and improved operational efficiency, evidenced by an increase in its assets under management (AUM) per branch as well as tight control over its asset quality and credit costs.

The rating also factors in the company’s progress towards securing INR2,000 million in capital from two new investors, with the transaction likely being completed by end-Quarter 2, 2025. The new capital infusion will help the company to sustain its growth momentum.

The rating reflects BFL’s long operational track record across multiple business cycles, its track record of regular equity infusions, and the improvement in underwriting and collection framework.

## List of Key Rating Drivers

### Strengths

- Sustained growth momentum; expanding presence outside Maharashtra
- Adequate capital buffers backed by investors
- Improvement in asset quality aided by strong collection framework
- Adequate profitability profile
- Diversified funding profile

## Weaknesses

- Product diversification with rising scale remains monitorable

## Detailed Description of Key Rating Drivers

**Sustained Growth Momentum; Expanding Presence outside Maharashtra:** BFL has been expanding its franchisee in the core two-wheeler (2W) business by deepening its presence in Maharashtra (around 38% of the AUM at end-March 2025) and other states (around 62% of AUM). Its AUM grew 24% yoy to INR13.86 billion at end-March 2025 (FYE24: INR11.24 billion; FYE23: INR9.64 billion) with the AUM per branch increasing to INR90 million (INR80 million).

BFL has steadily expanded its geographic footprint beyond Maharashtra, with operations now spanning 135 branches across Maharashtra, Chhattisgarh, Madhya Pradesh, Telangana, Gujarat, Odisha and Karnataka. The company is actively working to reduce state-level concentration by entering new markets, including an upcoming expansion into Jharkhand. The company also plans to do more of Secured MSME.

Founded in 1990, BFL is one of the oldest non-banking financial companies (NBFCs) specialising in 2W financing in central and western India. It is also one of the few NBFCs in India which is holding a public deposit license and can accept deposits. Over the decades, the company has built a distribution network, partnering with over 1,500 dealers and sub-dealers.

**Adequate Capital Buffers Backed by Investors:** The company is on track to raise INR2,000 million of capital by two new investors which will further strengthen the capital buffers. It will deploy the funds for expanding the business in existing geographies and enter newer geographies. BFL is backed by private equity investors such as Amicus Capital and Maj Investment. Amicus invested INR500 million over FY20-FY21 and INR150 million in FY22 while Maj Investment invested INR850 million in FY22.

The tangible net worth stood at INR3,104 million as of FY25 (FY24: INR2,780 million; FY23: INR2,568 million). BFL's capital buffers were adequate, with a Tier I capital ratio of 22.01% and a leverage ratio (debt/ tangible equity) of 3.9x at FY25 (FY24: 3.5x; FY23: 3.2x; FY22: 3x). Ind-Ra believes that with growth in the company, the capital would be utilised. However, the leverage would remain below 4.5x over the medium term, as per the management. The equity infusion of the company is a key monitorable.

**Improvement in Asset Quality Aided by Strong Collection Framework:** The company's asset quality has improved with its gross non-performing assets (NPA) decreasing to 4.4% in FY25 (FY24: 4.6%; FY23: 4.3%) and credit costs reducing to 2.6% (3.7%; 3.5%), supported by the improvement in the collection strategy undertaken in the past one year. The collection efficiency increased to 92% in March 2025 (March 2024: 86%). The company's current strategy focuses on addressing softer bucket delinquencies and mandating field visits in all cases overdue accounts. It has also improvised its LTV grid, helping it in selecting good customer base along with centralised underwriting. BFL has built a dedicated collections infrastructure comprising both in-house teams and exclusive agents. Digital transactions accounted for approximately 30% of the company's collections, 40% through cash, and the remainder were being processed through banking channels as of FY25.

BFL has undertaken significant enhancements across the loan lifecycle, including underwriting, monitoring, and the deployment of an early warning system to proactively manage credit risk. The company maintains oversight of customer repayment behaviour and initiates corrective measures in the event of delays. BFL's ability to further reduce its delinquency through various collection efforts and maintaining of low credit costs, performance of the portfolio in new states would be a key rating monitorable. Furthermore, performance of the Secured MSME will be a key rating monitorable.

**Adequate Profitability Profile:** The company's profit after tax increased to INR322 million in FY25 (FY24: INR221 million; FY23: INR170 million), resulting in return on assets of 2.23% (FY24 : 1.73%). The company's profitability improved supported by an increase in yield (FY25: 23.70%; FY24: 23.48%) decrease in credit cost to 2.6% (FY24 : 3.7%) and stable cost of borrowing at 11.80% (FY24 : 11.50%). Ind-Ra expects its operating cost to remain elevated (FY25: 6% to average loan assets) because of branch expansion. BFL has made requisite investments in technology, infrastructure, and key human resources essentials for meeting its medium-term growth objectives. In the past two years, the company

invested in upgrading its technology by implementing new software such as Finnone Neo, Oracle Netsuite and Autonom8 Los which will help in improving the overall performance of the company. However, the agency expects BFL to maintain adequate profitability for the next two years, supported by higher yield and stable cost of funds.

**Diversified Funding Profile:** Given the long track record of operations, BFL has been able to mobilise funding from a variety of banks and NBFCs. Term loans from NBFCs and banks are BFL's major source of external funding. The company is also raising funds in the form of cash credit, NCDs, deposits and securitisation and has a borrowing mix from multiple lenders who are mix of public sector banks, private sector banks, small finance banks, and NBFCs. The company has also increased its term loan share to 85% in FY25 (FY24: 68%; FY23: 58.23%). BFL's lender-wise borrowings are well diversified across more than 39 banks, small finance banks and NBFCs. Being a deposit-taking NBFC, it has been also able to mobilise funds by raising deposits at 8.5%-9.5% from various investors. Although, the cost of borrowings increased slightly, it remained stable at 11.80% in FY25 (FY24: 11.50%; FY23: 12.6%; FY22: 12.2%). The company's ability to raise adequate debt to support its business growth and upcoming debt repayments at competitive pricing shall be monitored closely.

**Product Diversification with Rising Scale Remains Monitorable:** As a part of its strategy, the management intends to increase the share of Secured MSME overall AUM mix to 30% in the next three years. This product represents a new strategic initiative for the company, in an area where it currently does not possess prior experience or established expertise. The ability of the company to increase these two products while keeping asset quality, credit cost, sustainable profitability in check would be key monitorable. Despite being operational since 1990, BFL has maintained a calibrated and focused growth strategy, resulting in a moderate AUM of INR13.86 billion as of FY25 (FY24: INR11.24billion). Since 2022, the company has achieved a healthy AUM CAGR of 19%. A key inflection point in BFL's growth trajectory came with the equity infusions from Amicus Capital and Maj Invest, which enabled the company to scale operations and diversify its portfolio. While 2W financing continues to dominate the portfolio (94%), BFL is actively expanding into secured MSME loans, targeting average ticket sizes of around INR0.5 million to drive future growth.

## Liquidity

**Adequate:** The company's liquidity profile is supported by its moderate leverage. The contractual asset-liability statement in June 2025 displayed a cumulative surplus of 26% 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. At end-June 2025, the company had cash, FD and unutilised bank lines, sufficient enough to cover debt obligation for the next three months.

## Rating Sensitivities

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

- significant growth in the franchisee with geographical diversification
- a sustained improvement in the asset quality and profitability.
- maintenance of adequate liquidity buffers

**Negative:** The 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

BFL is a deposit-taking RBI registered NBFC, based out of Nagpur. It has been operating for more than three decades and is engaged in two-wheeler financing in rural and semi-urban areas. Its operations are spread across Maharashtra, Madhya Pradesh, Chhattisgarh, Telangana, Gujarat and Karnataka, Odisha with 135 branches as on 31st March 2025 and was promoted by M G Jawanjar, who is the executive chairman, and his son Sandeep Jawanjal is the managing director. The company’s AUM was INR13860million as on 31st March 2025, of which two-wheeler (including refinancing) accounted for 96.91%. However, the company intends to diversify into secured MSME segment in the coming years.

## Key Financial Indicators

Particulars (INR million)	FY25	FY24
Total assets	15,886	13,158
Total tangible equity	3104	2,780
Profit after tax	322.5	221.8
Return on average assets (%)	2.23	1.73
Source: Ind-Ra; Company		

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings	Historical Rating/Outlook		
				11 July 2025	21 January 2025	16 April 2024
Non-convertible debentures	Long-term	INR 1050	IND BBB+/Stable	IND BBB+/Stable	IND BBB/Positive	IND BBB/Positive

## 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	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating /Outlook
INE998Y07147	23 April 2024	11.65	23 April 2026	INR250	IND BBB+/Stable
INE998Y07162	12 February 2025	11.50	12 February 2027	INR300	IND BBB+/Stable
			Total Unutilised	INR500	IND BBB+/Stable

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## APPLICABLE CRITERIA AND POLICIES

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### Evaluating Corporate Governance

### The Rating Process

### Financial Institutions Rating Criteria

## Non-Bank Finance Companies Criteria

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