

September 15, 2023^(Revised)

Hero FinCorp Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	6,000.0	6,000.0	[ICRA]A1+; reaffirmed
Subordinated debt	1,000.0	1,000.0	[ICRA]AA+ (Stable); reaffirmed
Non-convertible debentures	3,894.0	3,894.0	[ICRA]AA+ (Stable); reaffirmed
Non-convertible debentures	350.0	-	[ICRA]AA+ (Stable); reaffirmed and withdrawn
Long-term fund-based term loan	16,000.0	16,000.0	[ICRA]AA+ (Stable); reaffirmed
Long-term fund-based cash credit	1,600.0	1,600.0	[ICRA]AA+ (Stable); reaffirmed
Long-term short-term fund-based/Non-fund based	700.0	700.0	[ICRA]AA+ (Stable)/[ICRA]A1+; reaffirmed
Total	29,544.0	29,194.0	

*Instrument details are provided in Annexure I

Rationale

To arrive at the ratings, ICRA has taken a consolidated view of the credit profiles of Hero FinCorp Limited (HFCL) and Hero Housing Finance Limited (HHFL), referred to as the Hero FinCorp Group, as HHFL is a wholly-owned subsidiary of HFCL and the companies have significant operational and business synergies in addition to a shared name and management oversight.

The ratings continue to draw significant strength from HFCL's strong parentage, track record of adequate capitalisation supported by regular equity infusions, diversified borrowing profile with good financial flexibility, and strong liquidity position. Hero MotoCorp Limited (HMCL; rated [ICRA]AAA (Stable)/[ICRA]A1+), and its promoter group, members of the Munjal family and their investment companies (collectively referred to as the Hero Group), held a 73.0% stake (on a fully diluted basis) in HFCL as on June 30, 2023. ICRA expects HMCL to remain the single largest shareholder in HFCL, which will continue to benefit from Group synergies in the form of branding, distribution network, management guidance, and capital and liquidity support.

ICRA has taken note of the moderate but improving asset quality indicators with the gross and net stage 3 ratios, as per the new Income Recognition and Asset Classification (IRAC) norms, at 5.1% and 2.5%, respectively, on a consolidated basis as on June 30, 2023 (5.4% and 2.8%, respectively, as on March 31, 2023). The company's asset quality had weakened due to higher slippages in FY2022 and the impact of the Reserve Bank of India's (RBI) circular of November 2021 on IRAC norms. However, the collection efficiency improved subsequently and almost reached the pre-Covid-19 pandemic level in FY2023 and Q1 FY2024. In line with the improvement in the asset quality indicators, the solvency metrics improved with solvency (Net stage 3/Adjusted Tier I) and Net stage 3/Net worth at 14.3% and 13.0%, respectively, as on June 30, 2023 (15.8% and 14.4%, respectively, as on March 31, 2023) post the capital infusion in June 2022. HFCL had raised Rs. 2,000 crore, in the form of compulsorily convertible preference shares (CCPS), from existing as well as new investors. ICRA believes that this capital raise will help the company manage subsequent asset quality shocks, if any, and grow as per its business plans while maintaining prudent capitalisation levels. The Hero FinCorp Group's ability to control fresh slippages and improve the asset quality from the current levels would be a key rating sensitivity, going forward. In this regard, it is noted that the overall provision buffer on the portfolio was comfortable at 4.1% as on June 30, 2023 (4.1% as on March 31, 2023).

ICRA has also taken note of the improvement in the lending spreads (10.7% in Q1 FY2024 compared to 9.0% in FY2022), and consequently the net interest margin (NIM; 10.5% in Q1 FY2024 compared to 8.8% in FY2022) due to the higher share of incremental business from the higher-yielding segments. Further, higher collections and lower write-offs reduced the credit cost to 3.5% as in Q1 FY2024 from 5.5% in FY2022. Nevertheless, the profitability remains subdued with a return on assets (RoA) and return on equity (RoE) of 0.9% and 5.1%, respectively, in Q1 FY2024 (-0.6% and -3.9%, respectively, in FY2022). Overall, the Hero FinCorp Group's ability to grow while keeping good control over the asset quality will be critical for an improvement in the profitability over the medium term.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 350-crore non-convertible debentures as these have been fully redeemed and as there is no amount outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings (click [here](#) for the policy).

Key rating drivers and their description

Credit strengths

Strong parentage and strategic importance to HMCL – The ratings derive significant strength from the parentage of HFCL and HHFL with the Hero Group holding a 73.0% stake (on a fully diluted basis) in HFCL as on June 30, 2023. ICRA expects HMCL to remain the single largest shareholder in HFCL, and the Hero Group to be willing to extend financial support to HFCL and HHFL, if needed, given the importance that the business holds for the Hero Group. HFCL is a key company for the Hero Group's foray into financial services and is strategically important to the Hero Group as the captive financier of the two-wheeler (2W) sales of HMCL. As on June 30, 2023, ~42% of the loan book had linkages to the Hero ecosystem through 2W finance (21%), inventory funding (1%), personal loans (13%), retail small and medium-sized enterprise (SME) loans (2%), corporate loans (1%) and housing loans (5%). In Q1 FY2024, 58% of HMCL's vehicle sales was financed (60% in FY2023), of which 33% (percentage of total financed) was financed by HFCL (32% in FY2022).

HFCL, HHFL and HMCL also share a common name, which, in ICRA's opinion, indicates strong likelihood of support from the Hero Group. Overall, ICRA expects HFCL and HHFL to continue to benefit from Group synergies in the form of branding, distribution network, management guidance, and capital and liquidity support. Also, it is noted that the company's management team is well experienced in the relevant lines of business.

Diversified borrowing profile and good financial flexibility – As a part of the Hero Group, HFCL and HHFL enjoy good financial flexibility and have continued to raise funds at competitive costs with bank borrowings forming the majority share of the funding mix at 80% (including 12% share of external commercial borrowings) as on June 30, 2023 (78% as on March 31, 2023) along with a healthy share of debt market instruments (debentures at 11% and commercial paper (CP) at 10% of the funding mix as on June 30, 2023). ICRA notes that the dependence on bank lines has increased in the incremental borrowings of the company during the past three years. The Hero FinCorp Group's liquidity position remains strong with sufficient cash and liquid investments and sizeable sanctioned and unutilised working capital lines.

Adequate capitalisation profile supported by regular capital infusions – HFCL's capitalisation profile remains adequate, post the capital infusion in June 2022, with a standalone capital-to-risk weighted assets ratio (CRAR) of 19.8% as on June 30, 2023 (20.6% as on March 31, 2023 and 15.6% as on March 31, 2022) and a consolidated gearing of 4.7x¹ as on June 30, 2023. The capitalisation level has been supported by regular equity infusions by the existing promoters/investors. In this regard, ICRA notes that the company had raised Rs. 2,000 crore in the form of CCPS from existing as well as new investors. It had previously

¹ Consolidated net worth of Rs. 7,712 crore as on June 30, 2023. The consolidated net worth reported by the company (including CCPS as sub-debt) stood at Rs. 5,325 crore with a consolidated gearing of 7.3x as on June 30, 2023

raised Rs. 1,178-crore equity in FY2019, followed by Rs. 603 crore in March 2020 and Rs. 472 crore in February 2021. Overall, Rs. 6,080-crore equity has been raised by HFCL over the past 10 years as of Q1 FY2023, of which Rs. 3,905 crore was infused by the promoter group. ICRA believes that this capital raise will help the company manage subsequent asset quality shocks, if any, and grow as per its business plans while maintaining prudent capitalisation levels.

In ICRA's opinion, prudent capitalisation is a key mitigant against delinquencies and other credit risks associated with the business and expects the company to maintain steady-state leverage below 6x, going forward. ICRA expects support from the promoter to be forthcoming, as and when required, going forward.

Credit challenges

Moderate asset quality indicators – The Hero FinCorp Group's asset quality profile remains moderate despite the improvement in the gross and net stage 3 ratios (as per new IRAC norms) to 5.1% and 2.5%, respectively, on a consolidated basis as on June 30, 2023 (5.4% and 2.8%, respectively, as on March 31, 2023) from 7.6% and 4.5%, respectively, as on March 31, 2022. The Hero FinCorp Group's asset quality had weakened due to higher slippages in H1 FY2022 and the impact of the RBI's clarification of November 2021 on IRAC norms. However, the collection efficiency improved subsequently and almost reached the pre-Covid level of about 96% in Q1 FY2024 (97% in FY2023). Further, the standard restructured assets stood at 0.7% as on June 30, 2023 compared to 0.8% as on March 31, 2023 (2.2% as on March 31, 2022). Additionally, the Hero FinCorp Group wrote off Rs. 347-crore (0.8% of consolidated gross loan book; 3.3% on annualised basis) loans in Q1 FY2024 (following write-offs of Rs. 1,196 crore (3.0%) in FY2023).

In line with the improvement in the asset quality indicators, the solvency metrics improved with Net stage 3/Net worth of 13.0% as on June 30, 2023 (14.4% as on March 31, 2023) post the capital infusion in June 2022. The Hero FinCorp Group's ability to control fresh slippages and improve the asset quality from the current level, considering the rising share of unsecured loans, would be a key rating sensitivity, going forward. In this regard, it is noted that the overall provision cover on the loan book was comfortable at 4.1% as on June 30, 2023 (4.1% as on March 31, 2023).

Subdued, albeit improving, profitability – HFCL's incremental disbursements in FY2023 were dominated by the high-yielding retail portfolio. Retail loans constituted the highest share in the overall loan book at 69% as on March 31, 2023. The change in the disbursement mix led to an improvement in the lending spreads (on a consolidated basis) to 10.4% in FY2023 from 9.0% in FY2022. This was despite the increase in the cost of funds to 6.8% in FY2023 from 6.3% in FY2022 because of the rise in systemic interest rates. HFCL's NIM (on a consolidated basis) improved to 10.1% in FY2023 from 8.8% in FY2022 on account of the lower gearing. Operating expenses remained high at 5.0% in FY2023 (compared to 4.6% in FY2022) with the Group being in expansion mode. Higher collections and lower write-offs reduced the credit costs to 3.0% in FY2023 from 5.5% in FY2022. Although the Group's profitability indicators (on a consolidated basis) have improved and are on track to reach the pre-Covid levels with RoA and RoE of 1.2% and 7.8%, respectively, in FY2023 compared to net losses in FY2022, the profitability remains subdued.

Incremental disbursements, driven by the high-yielding retail portfolio, led to a further improvement in the lending spreads and NIMs (on a consolidated basis) in Q1 FY2024 to 10.7% and 10.5%, respectively. Further, the cost of funds increased to 7.6% in Q1 FY2024 due to the repricing of loans. While the operating expenses remained range-bound at 4.8% in Q1 FY2024, the credit costs increased to 3.5% because of the higher provision cover on non-performing advances (NPAs). This led to some weakening in the profitability (on a consolidated basis) with RoA and RoE of 0.9% and 5.1%, respectively, in Q1 FY2024.

The housing finance subsidiary raised funds at a competitive cost while achieving slightly higher yields on the loan book in FY2023. This led to a moderate increase in the lending spreads to 4.0% in FY2023 from 3.7% in FY2022. The NIMs, consequently, improved to 4.3% in FY2023 from 3.6% in FY2022, supported by the reduction in the gearing. Given the expansion in the scale and branch network, the operating expenses increased to 5.0% in FY2023 from 4.5% in FY2022 and

are expected to remain high over the medium term. The credit costs remained range-bound at 0.2% in FY2023 (0.2% in FY2022). Income from assignment transactions supported the profitability, which resulted in an improvement in the RoA and RoE to 0.6% and 3.8%, respectively, in FY2023 from 0.1% and 0.5%, respectively, in FY2022. In Q1 FY2024, the lending spreads remained range-bound at 4.0%. While credit costs remained stable at 0.2% in Q1 FY2024, the improvement in NIMs to 4.6% and the moderation in operating expenses to 4.8% resulted in a marginal improvement in the profitability with RoA and RoE of 0.9% and 5.0%, respectively, in Q1 FY2024.

Going forward, the ability of HFCL and HHFL to grow while keeping good control over the asset quality will be critical for an improvement in the profitability over the medium term.

Liquidity position: Strong

HFCL's standalone asset-liability maturity (ALM) profile, in the normal course of business, is characterised by positive cumulative mismatches in the buckets up to 1 year, given the sizeable proportion of the loan book with a residual tenor of up to 1 year and long-term borrowings with a tenor of more than 1 year. As on June 30, 2023, HFCL's ALM reflected debt maturities of Rs. 5,301 crore for the 6-month period ending December 31, 2023, against which its scheduled inflows from performing advances were Rs. 9,196 crore. Further, the company's liquidity position was strong, as on June 30, 2023, with on-balance sheet liquidity of Rs. 1,800 crore (5.5% of borrowings). The liquidity position is further supported by the availability of unutilised working capital lines of Rs. 1,725 crore, investment of ~Rs. 123 crore in corporate bonds and Clearcorp Repo Order Matching System (CROMS) lending of ~Rs. 2,000 crore as on June 30, 2023. This provides sufficient liquidity buffer.

HHFL's ALM profile, in the normal course of business, is characterised by positive cumulative mismatches in the buckets up to 1 year due to sufficient cash and liquid investments compared to long-term borrowings. As on June 30, 2023, HHFL's ALM reflected debt maturities of Rs. 338 crore over the 6-month period ending December 31, 2023, against which its scheduled inflows from performing advances are Rs. 75 crore. Nevertheless, on-balance sheet liquidity of Rs. 233 crore and the availability of unutilised working capital lines of Rs. 65 crore as on June 30, 2023 are sufficient to plug mismatches in the near-term buckets. The liquidity position is further supported by investment of ~Rs. 25 crore in corporate bonds as on June 30, 2023. Also, ICRA notes that the company has been able to raise funds successfully owing to its long-standing relationships with a large network of banks, mutual funds and other financial institutions by virtue of being a part of the Hero Group, thereby providing additional comfort.

Rating sensitivities

Positive factors – The rating could be upgraded on an improvement in the asset quality and a significant increase in the profitability on a sustained basis while maintaining prudent capitalisation.

Negative factors – The ratings could be downgraded on a deterioration in HMCL's credit profile or lower-than-expected support from the parent group. Besides, a sustained deterioration in the consolidated asset quality indicators and/or the capitalisation level, with the solvency ratio (Net stage 3/Adjusted Tier I) deteriorating beyond 25% and/or a cushion of less than 3% in the Tier I capital over the regulatory requirement, may warrant a change in the outlook or a downward revision in the ratings. The ratings could also come under pressure on a deterioration in the liquidity and/or the incremental borrowing profile of the company. The sustained inability to improve the profitability from the currently modest levels will also be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Financial Consolidation and Rating Approach Rating approach – Implicit Parent or Group Support Policy on Withdrawal of Credit Ratings
Parent/Group support	The ratings derive significant strength from the strong parentage of Hero FinCorp Limited (HFCL) and Hero Housing Finance Limited (HHFL) with Hero MotoCorp Limited (HMCL), its individual promoters and their investment companies (collectively referred to as the Hero Group) holding a 73.0% stake (on a fully diluted basis) in HFCL as on June 30, 2023. ICRA expects HMCL to remain the single largest shareholder in HFCL and the Hero Group to be willing to extend financial support to HFCL and HHFL, if needed, given the importance that the business holds for the Hero Group.
Consolidation/Standalone	Consolidation; while arriving at the ratings, ICRA has taken a consolidated view of the credit profiles of HFCL and HHFL, referred to as the Hero FinCorp Group, as HHFL is a wholly-owned subsidiary of HFCL and the companies have significant operational and business synergies along with a shared name and management oversight.

About the company

HFCL is a non-banking financial company (NBFC) extending retail finance for the 2W sales of HMCL, bill discounting for HMCL's suppliers, loans to small and medium enterprises (SMEs), loan against property (LAP), used car financing and personal loans. Moreover, its subsidiary, HHFL, received a housing finance licence from National Housing Bank (NHB) in August 2017. On a consolidated basis, HFCL's assets under management (AUM) stood at Rs. 41,712 crore (gross loan book of Rs. 41,461 crore) as on June 30, 2023 (Rs. 39,750 crore and Rs. 39,495 crore, respectively, as on March 31, 2023). As on June 30, 2023, HFCL's consolidated loan portfolio² comprised 2W finance (20%), dealer inventory funding (2%), pre-owned car finance (6%), personal loans (31%), home loans (7%), LAP (12%), SME loans (10%), and corporate loans (12%, excluding CROMS lending).

The housing finance subsidiary, HHFL, extends housing loans and LAP to retail borrowers and its AUM stood at Rs. 4,215 crore (gross loan book of Rs. 3,967 crore) as on June 30, 2023 (AUM of Rs. 3,951 crore and gross loan book of Rs. 3,697 crore as on March 31, 2023). As on June 30, 2023, home loans constituted the largest share of the loan book at 68% followed by LAP (30%) and construction finance (2%).

HFCL was incorporated in December 1991 under the name Hero Honda FinLease Limited. Following a change in the ownership of its parent, HMCL (formerly Hero Honda Motors Limited), the company changed its name to Hero FinCorp Limited in July 2011. Until April 2013, HFCL extended term loans, machinery loans, and bill discounting facilities primarily to entities within the HMCL ecosystem. It subsequently expanded its operations to entities outside the HMCL ecosystem and started extending loans for HMCL's 2Ws, used cars financing, personal loans, LAP, etc.

HMCL and its promoter group (members of the Munjal family and their investment companies) together held a 73.0% stake (on a fully diluted basis) in HFCL as of June 30, 2023, post the capital infusion in June 2022, compared to 79.6% as of March 31, 2022. While 39.8% was held directly by HMCL, 33.2% was held by the Munjal family members and their investment companies including Bahadur Chand Investment Pvt. Ltd. {rated [ICRA]AA (Stable)}. External investors such as Apis, Credit Suisse (Singapore), Otter Ltd (Chrys Capital), Apollo Global and JM Financial Group together held a 22.0% stake (on a fully diluted basis) with the balance 5.0% held by HMCL's dealers, employees, etc.

² Rounded-off share given for all segments

On a standalone basis, HFCL reported a profit after tax (PAT)³ of Rs. 89 crore in Q1 FY2024 on a total gross asset base Rs. 43,240 crore as on June 30, 2023 compared to Rs. 457 crore in FY2023 on a total gross asset base of Rs. 41,718 crore as on March 31, 2023 (net loss of Rs. 194 crore in FY2022 on a total gross asset base of Rs. 33,415 crore as on March 31, 2022). As on June 30, 2023, the company had a net worth of Rs. 7,743 crore and capital adequacy of 19.8% (Rs. 7,599 crore and 20.6%, respectively, as on March 31, 2023 and Rs. 4,838 crore and 15.6%, respectively, as on March 31, 2022). The gross and net stage 3 stood at 5.4% and 2.6%, respectively, as on June 30, 2023 compared to 5.7% and 2.9%, respectively, as on March 31, 2023 (8.0% and 4.7%, respectively, as on March 31, 2022).

On a consolidated basis, HFCL reported a PAT⁴ of Rs. 98 crore in Q1 FY2024 on a total gross asset base Rs. 46,750 crore as on June 30, 2023 compared to Rs. 480 crore in FY2023 on a total gross asset base of Rs. 45,077 crore as on March 31, 2023 (net loss of Rs. 192 crore in FY2022 on a total gross asset base of Rs. 36,008 crore as on March 31, 2022). As on June 30, 2023, the company had a net worth of Rs. 7,712 crore (Rs. 7,558 crore as on March 31, 2023 and Rs. 4,770 crore as on March 31, 2022). The gross and net stage 3 stood at 5.1% and 2.5%, respectively, as on June 30, 2023 compared to 5.4% and 2.8%, respectively, as on March 31, 2023 (7.6% and 4.5%, respectively, as on March 31, 2022).

Key financial indicators

	HFCL – Standalone				HFCL – Consolidated			
	FY2021	FY2022	FY2023	Q1 FY2024	FY2021	FY2022	FY2023	Q1 FY2024
PAT	71	-194	457	89	52	-192	480	98
Net worth	5,042	4,838	7,599	7,743	4,968	4,770	7,558	7,712
AUM	25,121	29,928	35,799	37,497	27,490	32,752	39,750	41,712
Gross loan book	25,103	29,927	35,799	37,495	27,472	32,650	39,495	41,461
Return on average assets	0.3%	-0.6%	1.2%	0.8%	0.2%	-0.6%	1.2%	0.9%
Return on average equity	1.5%	-3.9%	7.4%	4.6%	1.1%	-3.9%	7.8%	5.1%
Gearing (times)	4.4	5.5	4.2	4.3	4.9	6.1	4.6	4.7
Net worth/AUM	20.1%	16.2%	21.2%	20.6%	18.1%	14.6%	19.0%	18.5%
CRAR	19.7%	15.6%	20.6%	19.8%				
Gross stage 3	7.4%	8.0%	5.7%	5.4%	7.0%	7.6%	5.4%	5.1%
Net stage 3	4.6%	4.7%	2.9%	2.6%	4.3%	4.5%	2.8%	2.5%
Net stage 3/Net worth	22.3%	27.9%	13.5%	12.1%	23.1%	29.6%	14.4%	13.0%

Source: HFCL, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

³ The reported PAT is lower by Rs.115.35 crores (June 30, 2023) and Rs. 302.05 crores (March 31, 2023) due to a non-cash non payable accounting entry regarding CCPS valuation.

⁴ The reported PAT is lower by Rs.115.35 crores (June 30, 2023) and Rs. 302.05 crores (March 31, 2023) due to a non-cash non payable accounting entry regarding CCPS valuation.

Rating history for past three years

Instrument Rating	Type	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years					
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021
				Sep 15, 2023	Sep 16, 2022	Jun 30, 2022	Jul 02, 2021	Apr 05, 2021	Jan 08, 2021
1 Commercial paper	ST	6,000.0	2,925.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2 Subordinated debt	LT	1,000.0	850.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
3 Non-convertible debentures	LT	3,894.0	999.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
4 Non-convertible debentures	LT	350.0	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
5 Non-convertible debentures	LT	-	-	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
6 Non-convertible debentures	LT	-	-	-	-	-	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)
7 LT fund-based term loan	LT	16,000.0	15,575.8	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
8 LT fund-based cash credit	LT	1,600.0	1,300.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
9 LT/ST fund-based/ Non-fund based	LT/ST	700.0	0.0	[ICRA]AA+ (Stable)/ [ICRA]1+	[ICRA]AA+ (Stable)/ [ICRA]1+	[ICRA]AA+ (Stable)/ [ICRA]1+	[ICRA]AA+ (Stable)/ [ICRA]1+	[ICRA]AA+ (Stable)/ [ICRA]1+	[ICRA]AA+ (Stable)/ [ICRA]1+

Source: ICRA Research

Note: LT – Long term; ST – Short term

*As on August 31, 2023

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	Very Simple
Subordinated debt	Moderately Complex

Instrument	Complexity Indicator
Non-convertible debentures	Simple
Long-term fund-based term loan	Simple
Long-term fund-based cash credit	Simple
Long-term short-term fund based/Non-fund based	Simple

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 (as on August 31, 2023)

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE957N14GM1	Commercial paper	Nov-18-2022	NA	Nov-17-2023	65.0	[ICRA]A1+
INE957N14GM1	Commercial paper	May-17-2023	NA	Nov-17-2023	50.0	[ICRA]A1+
INE957N14GO7	Commercial paper	Dec-09-2022	NA	Dec-08-2023	125.0	[ICRA]A1+
INE957N14GP4	Commercial paper	Dec-12-2022	NA	Dec-12-2023	75.0	[ICRA]A1+
INE957N14GQ2	Commercial paper	Dec-21-2022	NA	Dec-21-2023	150.0	[ICRA]A1+
INE957N14GT6	Commercial paper	Feb-07-2023	NA	Feb-07-2024	200.0	[ICRA]A1+
INE957N14GT6	Commercial paper	Feb-23-2023	NA	Feb-07-2024	50.0	[ICRA]A1+
INE957N14GU4	Commercial paper	Feb-07-2023	NA	Jan-29-2024	150.0	[ICRA]A1+
INE957N14GU4	Commercial paper	Feb-08-2023	NA	Jan-29-2024	100.0	[ICRA]A1+
INE957N14GV2	Commercial paper	Feb-16-2023	NA	Feb-16-2024	250.0	[ICRA]A1+
INE957N14GW0	Commercial paper	Feb-22-2023	NA	Feb-22-2024	150.0	[ICRA]A1+
INE957N14GW0	Commercial paper	Feb-23-2023	NA	Feb-22-2024	100.0	[ICRA]A1+
INE957N14GZ3	Commercial paper	Mar-15-2023	NA	Mar-14-2024	150.0	[ICRA]A1+
INE957N14HA4	Commercial paper	Mar-17-2023	NA	Mar-15-2024	150.0	[ICRA]A1+
INE957N14HB2	Commercial paper	Apr-19-2023	NA	Apr-18-2024	150.0	[ICRA]A1+
INE957N14HE6	Commercial paper	May-19-2023	NA	May-17-2024	160.0	[ICRA]A1+
INE957N14HH9	Commercial paper	Jun-26-2023	NA	Jun-14-2024	100.0	[ICRA]A1+
INE957N14HI7	Commercial paper	Jul-21-2023	NA	Oct-20-2023	200.0	[ICRA]A1+
INE957N14HJ5	Commercial paper	Jul-25-2023	NA	Jul-24-2024	200.0	[ICRA]A1+
INE957N14HK3	Commercial paper	Aug-18-2023	NA	Nov-08-2023	250.0	[ICRA]A1+
INE957N14HL1	Commercial paper	Aug-21-2023	NA	Nov-20-2023	100.0	[ICRA]A1+
NA	Commercial paper*	NA	NA	NA	3,075.0	[ICRA]A1+
INE957N08011	Sub-debt	Sep-15-2015	9.35%	Sep-15-2025	100.0	[ICRA]AA+ (Stable)
INE957N08029	Sub-debt	Aug-03-2016	8.98%	Aug-03-2026	100.0	[ICRA]AA+ (Stable)
INE957N08037	Sub-debt	Jun-20-2017	8.52%	Jun-18-2027	100.0	[ICRA]AA+ (Stable)
INE957N08045	Sub-debt	Dec-06-2018	9.81%	Nov-24-2028	125.0	[ICRA]AA+ (Stable)
INE957N08052	Sub-debt	Feb-05-2020	8.85%	Feb-05-2030	100.0	[ICRA]AA+ (Stable)
INE957N08060	Sub-debt	Mar-04-2020	8.49%	Mar-04-2030	25.0	[ICRA]AA+ (Stable)
INE957N08078	Sub-debt	Dec-11-2020	7.65%	Dec-11-2030	45.0	[ICRA]AA+ (Stable)
INE957N08086	Sub-debt	Jul-18-2022	8.65%	Jul-16-2032	100.0	[ICRA]AA+ (Stable)
INE957N08094	Sub-debt	Oct-21-2022	8.65%	Oct-21-2032	55.0	[ICRA]AA+ (Stable)
INE957N08102	Sub-debt	Dec-01-2022	8.65%	Dec-01-2032	100.0	[ICRA]AA+ (Stable)
NA	Sub-debt*	NA	NA	NA	150.0	[ICRA]AA+ (Stable)
INE957N07591	NCD	May-07-2021	7.35%	May-07-2031	25.00	[ICRA]AA+ (Stable)
INE957N07633	NCD	Aug-03-2021	6.25%	Aug-02-2024	200.00	[ICRA]AA+ (Stable)
INE957N07641	NCD	Aug-11-2021	0.00%	Aug-09-2024	150.00	[ICRA]AA+ (Stable)
INE957N07682	NCD	Jul-29-2022	7.99%	Jul-29-2025	400.00	[ICRA]AA+ (Stable)
INE957N07724	NCD	Dec-13-2022	0.00%	Aug-13-2024	139.00	[ICRA]AA+ (Stable)
INE957N07740	NCD	Dec-30-2022	8.25%	Dec-30-2024	35.00	[ICRA]AA+ (Stable)
INE957N07757	NCD	May-12-2023	8.35%	May-12-2026	50.00	[ICRA]AA+ (Stable)
INE957N07492	NCD	Apr-27-2020	7.85%	Apr-27-2023	350.0	[ICRA]AA+ (Stable); withdrawn
NA	NCD*	NA	NA	NA	2,895.0	[ICRA]AA+ (Stable)
NA	Term loan 1	Mar-29-2019	NA	Mar-29-2025	60.0	[ICRA]AA+ (Stable)
NA	Term loan 2	Mar-19-2020	NA	Mar-19-2025	150.0	[ICRA]AA+ (Stable)
NA	Term loan 3	Dec-18-2020	NA	Dec-31-2025	225.0	[ICRA]AA+ (Stable)
NA	Term loan 4	Jun-30-2022	NA	Jun-30-2027	750.0	[ICRA]AA+ (Stable)
NA	Term loan 5	Feb-17-2023	NA	Mar-10-2026	1,654.3	[ICRA]AA+ (Stable)
NA	Term loan 6	Oct-15-2019	NA	Oct-15-2024	150.0	[ICRA]AA+ (Stable)
NA	Term loan 7	Sep-17-2019	NA	Jul-17-2024	22.2	[ICRA]AA+ (Stable)
NA	Term loan 8	Sep-14-2020	NA	Sep-14-2025	44.4	[ICRA]AA+ (Stable)

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan 9	Sep-27-2019	NA	Sep-27-2024	80.0	[ICRA]AA+ (Stable)
NA	Term loan 10	Nov-26-2020	NA	Nov-26-2025	228.1	[ICRA]AA+ (Stable)
NA	Term loan 11	Jun-26-2019	NA	Jun-26-2024	83.1	[ICRA]AA+ (Stable)
NA	Term loan 12	Dec-28-2018	NA	Dec-31-2023	249.2	[ICRA]AA+ (Stable)
NA	Term loan 13	Dec-31-2019	NA	Dec-31-2024	374.6	[ICRA]AA+ (Stable)
NA	Term loan 14	Mar-01-2019	NA	Mar-01-2024	15.0	[ICRA]AA+ (Stable)
NA	Term loan 15.1	Mar-30-2019	NA	Mar-28-2024	45.0	[ICRA]AA+ (Stable)
NA	Term loan 15.2	Apr-30-2019	NA	Mar-28-2024	15.0	[ICRA]AA+ (Stable)
NA	Term loan 16.1	Sep-30-2019	NA	Sep-30-2024	25.0	[ICRA]AA+ (Stable)
NA	Term loan 16.2	Oct-11-2019	NA	Sep-30-2024	100.0	[ICRA]AA+ (Stable)
NA	Term loan 17	Dec-30-2019	NA	Dec-30-2024	150.0	[ICRA]AA+ (Stable)
NA	Term loan 18	Dec-16-2020	NA	Dec-16-2025	250.0	[ICRA]AA+ (Stable)
NA	Term loan 19	Sep-02-2020	NA	Sep-02-2023	41.7	[ICRA]AA+ (Stable)
NA	Term loan 20	Sep-24-2020	NA	Sep-24-2023	41.7	[ICRA]AA+ (Stable)
NA	Term loan 21	Mar-28-2019	NA	Mar-31-2024	25.0	[ICRA]AA+ (Stable)
NA	Term loan 22	Dec-24-2019	NA	Dec-24-2024	166.7	[ICRA]AA+ (Stable)
NA	Term loan 23	Aug-12-2022	NA	Sep-30-2027	340.0	[ICRA]AA+ (Stable)
NA	Term loan 24	Mar-31-2021	NA	Mar-31-2025	160.0	[ICRA]AA+ (Stable)
NA	Term loan 25	Dec-31-2020	NA	Dec-30-2025	236.8	[ICRA]AA+ (Stable)
NA	Term loan 26	Dec-24-2020	NA	Dec-24-2025	138.9	[ICRA]AA+ (Stable)
NA	Term loan 27.1	Mar-30-2021	NA	Mar-30-2026	120.0	[ICRA]AA+ (Stable)
NA	Term loan 27.2	Apr-29-2021	NA	Mar-30-2026	180.0	[ICRA]AA+ (Stable)
NA	Term loan 28	Mar-31-2021	NA	Mar-31-2026	416.7	[ICRA]AA+ (Stable)
NA	Term loan 29	Dec-28-2020	NA	Dec-28-2025	150.0	[ICRA]AA+ (Stable)
NA	Term loan 30	Sep-24-2021	NA	Sep-23-2025	37.5	[ICRA]AA+ (Stable)
NA	Term loan 31	Sep-21-2021	NA	Sep-21-2024	55.6	[ICRA]AA+ (Stable)
NA	Term loan 32.1	Aug-31-2021	NA	Jun-30-2024	40.0	[ICRA]AA+ (Stable)
NA	Term loan 32.2	Sep-17-2021	NA	Jun-30-2024	40.0	[ICRA]AA+ (Stable)
NA	Term loan 33	Sep-29-2021	NA	Sep-29-2024	41.7	[ICRA]AA+ (Stable)
NA	Term loan 34	Dec-09-2021	NA	Dec-08-2026	72.2	[ICRA]AA+ (Stable)
NA	Term loan 35	Feb-04-2022	NA	Jan-31-2027	875.0	[ICRA]AA+ (Stable)
NA	Term loan 36	Sep-24-2020	NA	Sep-24-2023	5.2	[ICRA]AA+ (Stable)
NA	Term loan 37	Sep-24-2020	NA	Sep-24-2023	13.0	[ICRA]AA+ (Stable)
NA	Term loan 38	Sep-24-2020	NA	Sep-24-2023	16.6	[ICRA]AA+ (Stable)
NA	Term loan 39	Sep-24-2020	NA	Sep-24-2023	16.6	[ICRA]AA+ (Stable)
NA	Term loan 40	Sep-24-2020	NA	Sep-24-2023	8.3	[ICRA]AA+ (Stable)
NA	Term loan 41	Jun-07-2021	NA	Jun-06-2024	100.0	[ICRA]AA+ (Stable)
NA	Term loan 42	Jun-24-2021	NA	Jun-06-2024	233.3	[ICRA]AA+ (Stable)
NA	Term loan 43	Oct-25-2021	NA	Oct-25-2024	125.0	[ICRA]AA+ (Stable)
NA	Term loan 44	Feb-25-2022	NA	Feb-25-2025	100.0	[ICRA]AA+ (Stable)
NA	Term loan 45	Dec-09-2021	NA	Dec-09-2026	342.1	[ICRA]AA+ (Stable)
NA	Term loan 46	Dec-30-2022	NA	Jan-15-2026	83.3	[ICRA]AA+ (Stable)
NA	Term loan 47	Jun-28-2022	NA	Jul-28-2024	150.0	[ICRA]AA+ (Stable)
NA	Term loan 48.1	Sep-20-2022	NA	Sep-30-2027	850.0	[ICRA]AA+ (Stable)
NA	Term loan 48.2	Sep-26-2022	NA	Sep-30-2027	850.0	[ICRA]AA+ (Stable)
NA	Term loan 49.1	Jun-02-2023	NA	Jun-30-2028	250.0	[ICRA]AA+ (Stable)
NA	Term loan 49.2	Jun-07-2023	NA	Jun-30-2028	250.0	[ICRA]AA+ (Stable)
NA	Term loan 50	Jun-14-2023	NA	Jun-30-2028	500.0	[ICRA]AA+ (Stable)
NA	Term loan 51	Sep-30-2022	NA	Sep-30-2025	205.0	[ICRA]AA+ (Stable)
NA	Term loan 52	Sep-22-2022	NA	Oct-22-2025	333.8	[ICRA]AA+ (Stable)
NA	Term loan 53	Sep-29-2022	NA	Sep-29-2027	429.8	[ICRA]AA+ (Stable)
NA	Term loan 54	Dec-28-2022	NA	Dec-28-2027	250.0	[ICRA]AA+ (Stable)

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan 55	Dec-29-2022	NA	Dec-31-2027	675.0	[ICRA]AA+ (Stable)
NA	Term loan 56	Dec-29-2022	NA	Dec-29-2025	583.3	[ICRA]AA+ (Stable)
NA	Term loan 57	Dec-29-2022	NA	Apr-29-2026	118.5	[ICRA]AA+ (Stable)
NA	Term loan 58	Mar-27-2023	NA	Mar-27-2026	275.0	[ICRA]AA+ (Stable)
NA	Term loan 59	Mar-29-2023	NA	Mar-29-2026	458.3	[ICRA]AA+ (Stable)
NA	Term loan 60	Mar-29-2023	NA	Jun-30-2026	170.8	[ICRA]AA+ (Stable)
NA	Term loan 61	Mar-29-2023	NA	Mar-28-2028	237.5	[ICRA]AA+ (Stable)
NA	Term loan 62	Mar-09-2023	NA	Mar-31-2028	95.0	[ICRA]AA+ (Stable)
NA	Working capital 1	NA	NA	NA	200.0	[ICRA]AA+ (Stable)
NA	Working capital 2	NA	NA	NA	100.0	[ICRA]AA+ (Stable)
NA	Working capital 3	NA	NA	NA	700.0	[ICRA]AA+ (Stable)
NA	Working capital 4	NA	NA	NA	200.0	[ICRA]AA+ (Stable)
NA	Working capital 5	NA	NA	NA	100.0	[ICRA]AA+ (Stable)
NA	LT fund-based term loan*	NA	NA	NA	424.2	[ICRA]AA+ (Stable)
NA	LT fund-based cash credit*	NA	NA	NA	300.0	[ICRA]AA+ (Stable)
NA	LT/ST fund-based/ Non-fund based*	NA	NA	NA	700.0	[ICRA]AA+ (Stable)/ [ICRA]A1+

Source: ICRA Research; * Yet to be placed/Proposed

Note: Coupon rate, sanction date and maturity date not available for bank facilities

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Hero FinCorp Limited (HFCL)	Rated Entity	Full Consolidation
Hero Housing Finance Limited (HHFL)	Subsidiary	Full Consolidation

Corrigendum

Document dated September 15, 2023 has been corrected with revisions as detailed below:

Page No.	Location on Page	Previous data	Revised data
6	Key financial indicators	RoA and RoE of 1.2% and 4.6%, respectively, in FY2021 for HFCL (standalone)	RoA and RoE of 0.3% and 1.5%, respectively, in FY2021 for HFCL (standalone)
8	Rating History for past three years	History for instruments withdrawn in past three years not captured	History for instruments withdrawn in past three years is also captured

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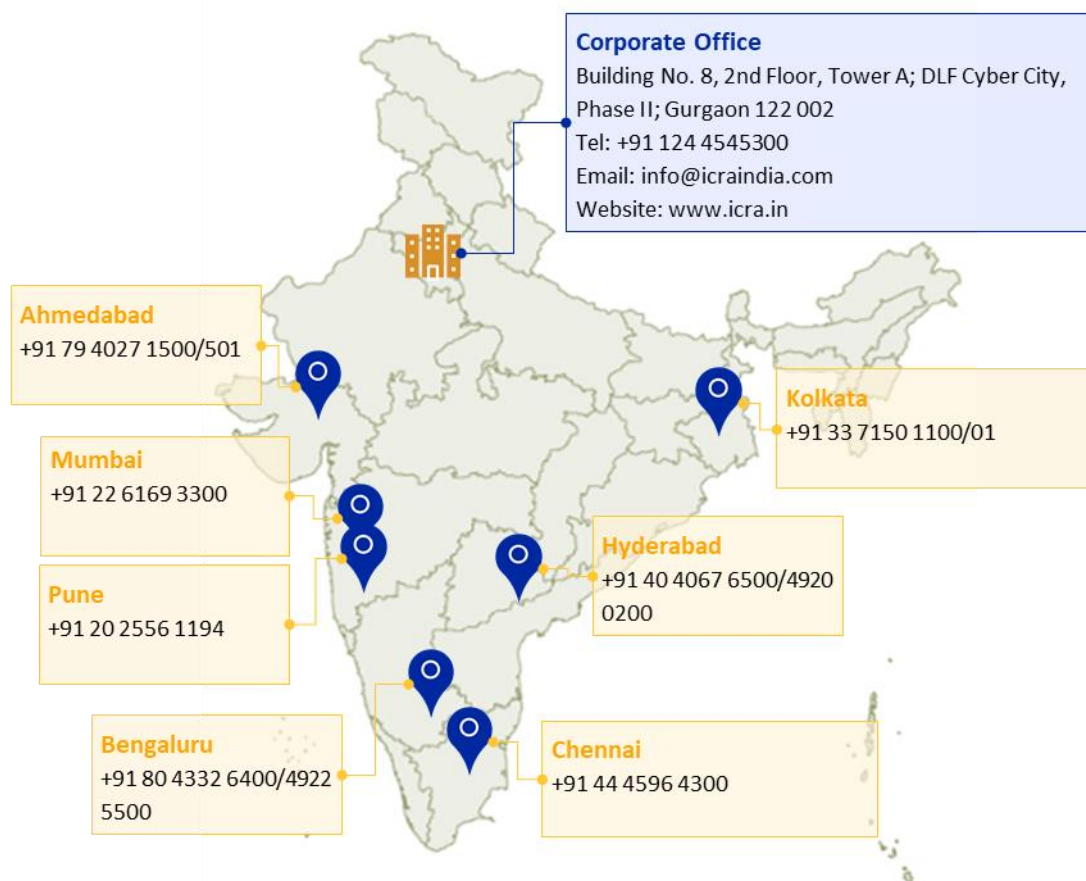


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