June 23, 2023 (Revised)

Hero MotoCorp Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Issuer Rating	-	-	[ICRA]AAA(Stable)
Non-convertible Debenture Programme	15.0	15.0	[ICRA]AAA(Stable)
Fund-based and Non-fund Based Limits	960.0	960.0	[ICRA]AAA(Stable)/[ICRA]A1+
Unallocated	140.0	140.0	[ICRA]AAA(Stable)
Total	**1,115.0**	**1,115.0**	

**Instrument details are provided in Annexure-1*

Material Event

On June 15, 2023, newspaper reports indicated the initiation of an investigation by the Ministry of Corporate Affairs (MCA), Government of India, against Hero Motocorp Limited (HMCL). HMCL notified the stock exchanges on June 17, 2023, acknowledging the receipt of communication from MCA seeking information from the company regarding the investigation.

Impact of Material Event

ICRA understands from the management that there is no impact on the company's operations currently or its banking channels. ICRA has noted the said development and the ratings remain unchanged at [ICRA]AAA (Stable) / [ICRA]A1+. The ratings outstanding on the various debt instruments of HMCL are supported by its strong business profile, market leadership in the domestic two-wheeler industry coupled with its strong financial profile and liquidity position.

ICRA will continue to closely monitor the developments and remain in touch with the management of HMCL to take further updates related to this matter.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, and rating sensitivities: Click here.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Two-wheeler Manufacturers
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone assessment of HMCL while factoring in the ordinary and extraordinary support that the company is expected to extend to its associate company in financial services business. The ratings are based on the consolidated financial statements of HMCL. As on March 31, 2023, the company had four subsidiaries, two step-down subsidiaries and two associate companies, which are enlisted in Annexure-II.

About the company

HMCL is engaged in manufacturing and marketing motorcycles and scooters. It is the largest two-wheeler (2W) manufacturer in the world. In India, it commanded a market share of ~35% in FY2023. The company has eight manufacturing facilities with an annual production capacity of 9.5 million units. Of the same, six plants are in India—one each at Dharuhera and Gurgaon (both in Haryana), Haridwar (Uttaranchal), Neemrana (Rajasthan), Halol (Gujarat) and Chitoor (Andhra Pradesh)—while two are overseas at Columbia and Bangladesh. Additionally, the company has set up an R&D centre at Jaipur (India) and Germany. Backed by a large product portfolio across various price segments, HMCL is a market leader in the domestic motorcycle industry with a share of ~47% in FY2023 (PY: 48.3%). It is also present in the domestic scooter market, albeit its market share was modest at ~7% in FY2023 (PY: 7.7%).

HMCL commenced operations as Hero Honda, a joint venture company (both promoters holding 26% equity) between Hero Cycles Limited and Honda Motor Company (HMC), Japan, in January 1984. In January 2011, HMC agreed to transfer its entire shareholding of 26% to the Hero Group, thus bringing an end to the partnership. The company is listed on the BSE and NSE. The BM Munjal family, led by Mr. Pawan Kant Munjal, holds ~34% stake in HMCL.

Key financial indicators (audited)

HMCL Consolidated	FY2021	FY2022	FY2023*
Operating Income (Rs. crore)	30,959.2	29,551.3	34,158.0
PAT (Rs. crore)	2,982.6	2,528.1	2796.8
OPBDIT/OI (%)	13.3%	11.7%	12.0%
PAT/OI (%)	9.6%	8.6%	8.2%
Total outside liabilities/Tangible net worth (times)	0.5	0.4	0.4
Total debt/OPBDIT (times)	0.1	0.2	0.1
Interest coverage (times)	88.4	65.3	39.0

*Source: Company Annual Reports; ICRA Research. * Limited results*
PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Sl. No.	Instrument	Current Rating (FY2024)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					June 23, 2023	Oct 13, 2022	Oct 1, 2021 Jul 28, 2021	Jul 31, 2020
1	**Issuer Rating**	Long term	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
2	**Non-convertible Debenture Programme**	Long term	15.0	*	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3	**Fund-based and Non-fund Based Limits**	Long term/ Short term	960.0	-	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+
4	**Unallocated**	Long term	140.0	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)

**The company has not issued any NCDs*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not Applicable
Long Term-Bonds/NCD/LTD*	Simple
Long Term/Short Term - Fund Based and Non-Fund Based Limits	Simple
Long-Term-Unallocated	Not Applicable

**Not placed/Issued yet; subject to change once the terms are finalized*

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, is available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer rating	-	-	-	-	[ICRA]AAA(Stable)
NA	Non-convertible Debenture Programme*	Yet to be issued			15.00	[ICRA]AAA(Stable)
NA	Fund-based and Non-fund Based Limits	NA	NA	NA	960.0	[ICRA]AAA(Stable)/ [ICRA]A1+
NA	Unallocated	NA	NA	NA	140.0	[ICRA]AAA(Stable)

*Source: HMCL. * The company has not issued any NCD as on date.*

Annexure II: List of entities considered for consolidated analysis

Company Name	HMCL Ownership	Consolidation Approach
HMCL	Rated Entity	Full consolidation
HMCL Americas Inc.	100.0%	Full Consolidation
HMCL Netherlands B.V.	100.0%	Full Consolidation
Hero Tech Center Germany GmbH	100.0%	Full Consolidation
HMCL Colombia S.A.S (through HMCL Netherlands B.V)	68.0%	Full Consolidation
HMC MM Auto Limited	60.0%	Full Consolidation
HMCL Niloy Bangladesh Limited (through HMCL Netherlands B.V)	55.0%	Full Consolidation
Hero FinCorp Limited	41.2%	Equity Method
Ather Energy Private Limited	37.7%	Equity Method

Source: HMCL annual report FY2022

Corrigendum

Document dated June 23, 2023 has been corrected with revisions as detailed below:

- Revisions made on page number 1 under the section heading – 'Material Event'.
- The material event date has been corrected to June 15, 2023 instead of May 15, 2023 mentioned earlier.

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