

September 15, 2023 <sup>(Revised)</sup>

## Hero Housing Finance Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	150	150	[ICRA]A1+; reaffirmed
Subordinated debt	200	200	[ICRA]AA+ (Stable); reaffirmed
Non-convertible debentures	100	100	[ICRA]AA+ (Stable); reaffirmed
Non-convertible debentures	100	-	[ICRA]AA+ (Stable); reaffirmed and withdrawn
Long-term/Short-term fund-based/ Non-fund based	800	800	[ICRA]AA+ (Stable)/[ICRA]A1+; reaffirmed
<b>Total</b>	<b>1,350.0</b>	<b>1,250.0</b>	

\*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. 100-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.

HHFL also raises funds at competitive costs from diverse sources with bank lines continuing to dominate the borrowing mix at 87% as on June 30, 2023 (83% as on March 31, 2023) while the balance 13% (17% as on March 31, 2023) is accounted for by NCDs and CPs.

**Adequate capitalisation profile supported by regular capital infusion** – 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 4.7x<sup>1</sup> as on June 30, 2023. The capitalisation level has been supported by regular equity infusions by the existing promoters/investors. In this regard, ICRA

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<sup>1</sup> 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

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 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.

HHFL's capitalisation level also continues to be supported by regular equity infusions from the parent – HFCL. HHFL's capitalisation profile was characterised by a CRAR of 29.9% as on June 30, 2023 (30.2% as on March 31, 2023 and 24.4% as on March 31, 2022). It received capital of Rs. 300 crore in August 2022 from HFCL, resulting in a reduction in its gearing to 4.4x on a net worth of Rs. 769 crore as on June 30, 2023 (gearing of 4.3x on a net worth of Rs. 759 crore as on March 31, 2023) from 5.9x on a net worth of Rs. 432 crore as on March 31, 2022. Given the Group's focus on the housing finance segment, the loan book growth is expected to remain strong over the medium term and, hence, the subsidiary's capital requirement is likely to remain high. Nonetheless, ICRA expects support from the parent group to be forthcoming, as and when required, for maintaining a prudent capitalisation level.

### 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).

ICRA also notes that although HHFL's asset quality indicators remained range-bound with gross and net stage 3 ratios of 2.2% and 1.6% respectively, as on June 30, 2023, compared to 2.4% and 1.7% respectively, as March 31, 2023. Going forward, the asset quality indicators are expected to be under control because of stringent credit underwriting norms.

**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.

HHFL 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
<b>Applicable rating methodologies</b>	<a href="#">ICRA’s Credit Rating Methodology for Non-banking Finance Companies</a> <a href="#">Financial Consolidation and Rating Approach</a> <a href="#">Rating approach – Implicit Parent or Group Support</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
<b>Parent/Group support</b>	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.
<b>Consolidation/Standalone</b>	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

HHFL, incorporated in June 2016 as a wholly-owned subsidiary of HFCL, is a non-deposit taking housing finance company. It undertakes housing finance operations in nine states/Union Territories, including Delhi NCR, Haryana, Punjab, Gujarat, Maharashtra, Rajasthan, Uttar Pradesh, Tamil Nadu, and Puducherry. The company plans to leverage the experience and network of its parent along with the strong brand recall of the Hero Group to scale up the loan book, largely in the mid-housing segment with some focus on the affordable segment.

HHFL extends housing loans and loan against property (LAP) to retail borrowers and had assets under management (AUM) of Rs. 4,215 crore (gross loan book of Rs. 3,967 crore) as on June 30, 2023 compared to Rs. 3,951 crore (gross loan book of Rs. 3,697 crore) as on March 31, 2023 (AUM of Rs. 2,824 crore and gross loan book of Rs. 2,722 crore as on March 31, 2022). As on June 30, 2023, home loans constituted the largest share of HHFL’s loan book at 68% followed by LAP (30%) and construction finance (2%).

HHFL reported a profit after tax (PAT) of Rs. 9 crore in Q1 FY2024 on a total gross asset base of Rs. 4,311 crore as on June 30, 2023 compared to Rs. 23 crore in FY2023 on a total gross asset base of Rs. 4,159 crore as on March 31, 2023 (PAT of Rs. 2 crore in FY2022 on a total gross asset base of Rs. 3,094 crore as on March 31, 2022). As on June 30, 2023, the company had a net worth of Rs. 769 crore and capital adequacy of 29.9% (Rs. 759 crore and 30.2%, respectively, as on March 31, 2023 and Rs. 432 crore and 24.4%, respectively, as on March 31, 2022). The gross and net stage 3 stood at 2.2% and 1.6%, respectively, as on June 30, 2023 compared to 2.4% and 1.7%, respectively, as on March 31, 2023 (3.1% and 2.3%, respectively, as on March 31, 2022).

## Key financial indicators

	HHFL			
	FY2021	FY2022	FY2023	Q1 FY2024
<b>PAT</b>	-19	2	23	9
<b>Net worth</b>	426	432	759	769
<b>AUM</b>	2,369	2,824	3,951	4,215
<b>Gross loan book</b>	2,369	2,722	3,697	3,967
<b>Return on average assets</b>	-0.8%	0.1%	0.6%	0.9%
<b>Return on average equity</b>	-4.9%	0.5%	3.8%	5.0%
<b>Gearing (times)</b>	5.5	5.9	4.3	4.4
<b>Net worth/ AUM</b>	18.0%	15.3%	19.2%	18.2%
<b>CRAR</b>	27.5%	24.4%	30.2%	29.9%
<b>Gross stage 3</b>	2.0%	3.1%	2.4%	2.2%
<b>Net stage 3</b>	1.2%	2.3%	1.7%	1.6%
<b>Net NPA/ Net worth</b>	6.5%	14.5%	8.2%	8.1%

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

### Hero FinCorp Limited

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 portfolio 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).

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.

On a standalone basis, HFCL reported a profit after tax (PAT)<sup>2</sup> 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

<sup>2</sup> 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.

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

<sup>3</sup> 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	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	Jun 23, 2020
1 Commercial paper	ST	150.0	100.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2 Sub-debt	LT	200.0	75.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
3 Non-convertible debentures	LT	100.0	0.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
4 Non-convertible debentures	LT	100.0	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
5 Long-term/Short-term fund based/ Non-fund based	LT/ST	800.0	611.4	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+

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 programme	Very Simple
Subordinated debt	Moderately Complex
Non-convertible debentures	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
INE800X14119	Commercial paper	Aug-22-2022	NA	Jun-22-2023	100.0	[ICRA]A1+
NA	Commercial paper*	NA	NA	NA	50.0	[ICRA]A1+
INE800X08012	Sub-debt	Dec-28-2018	9.50%	Dec-28-2028	25.0	[ICRA]AA+ (Stable)
INE800X08020	Sub-debt	Mar-05-2021	7.85%	Mar-05-2031	25.0	[ICRA]AA+ (Stable)
INE800X08038	Sub-debt	Nov-25-2022	8.75%	Nov-25-2032	25.0	[ICRA]AA+ (Stable)
NA	Sub-debt*	NA	NA	NA	125.0	[ICRA]AA+ (Stable)
INE800X07022	NCD	Jun-25-2020	7.75%	Jun-23-2023	100.0	[ICRA]AA+ (Stable); withdrawn
NA	NCD*	NA	NA	NA	100.0	[ICRA]AA+ (Stable)
NA	Bank line 1	NA	NA	NA	69.6	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Bank line 2	NA	NA	NA	42.9	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Bank line 3	NA	NA	NA	132.7	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Bank line 4	NA	NA	NA	92.9	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Bank line 5	NA	NA	NA	80.8	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Bank line 6	NA	NA	NA	75.0	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Bank line 7	NA	NA	NA	70.0	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Bank line 8	NA	NA	NA	47.6	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	LT/ST fund based/ Non-fund based*	NA	NA	NA	188.5	[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 Housing Finance Limited (HHFL)	Rated Entity	Full Consolidation
Hero FinCorp Limited (HFCL)	Parent	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
7	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)

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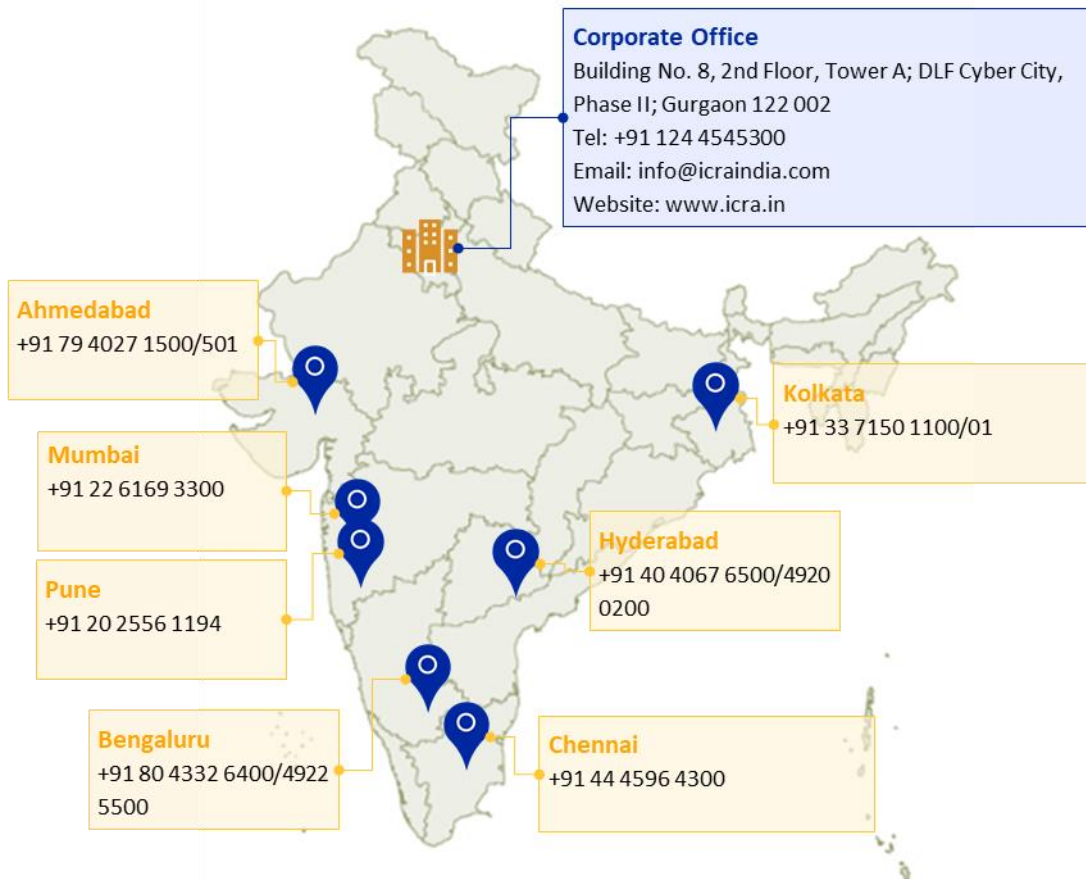


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