February 20, 2025

Bahadur Chand Investments Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term borrowing programme	50.0	50.0	[ICRA]AA (Stable); reaffirmed
Non-convertible debenture programme	2,500.0	2,500.0	[ICRA]AA (Stable); reaffirmed
Non-convertible debenture programme	1,700.0	0.0	[ICRA]AA (Stable); reaffirmed and withdrawn
Commercial paper programme	2,500.0	2,500.0	[ICRA]A1+; reaffirmed
Total	**6,750.0**	**5,050.0**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has taken a consolidated view of Bahadur Chand Investments Private Limited (BCIPL) and its parent, Brijmohan Lal Om Parkash (BMOP), for arriving at the credit ratings, given the common management and significant financial linkages between the entities. Hereafter, they are together referred to as the holding entities.

The ratings reaffirmation continues to favourably factor in the status of the holding entities as the principal holding companies of Hero MotoCorp Limited (HMCL; rated [ICRA]AAA(Stable)/[ICRA]A1+), and the strong financial flexibility from the market value of their investments in HMCL (~Rs. 27,800 crore, for their combined stake of ~34% as on February 10, 2025), which provides a comfortable market buffer at current levels (Market Value/Net Debt (including accrued interest) of ~7 times for the holding entities). The ratings also factor in the expectations of limited incremental financial support to key investee companies and the management's guidance to limit the consolidated external borrowings within a reasonable range over the medium term.

These strengths are partially offset by the significant revenue (for dividend income) and investment concentration in HMCL, with the company's dividends accounting for almost the entire dividend income and ~68% of the combined book value of investments of the holding entities as on March 31, 2024. Nonetheless, the ratings derive comfort from HMCL's established leadership position in the domestic two-wheeler (2W) industry and its strong credit metrics, besides the healthy cash surplus. Even during a period of slowdown in the 2W industry over the past few years, HMCL remained consistent in its dividend payouts. Further, the dividend payouts over FY2024-FY2025 have been higher, aided by an improved performance on the back of pick-up in demand in the 2W industry. This lends comfort that a stable dividend stream from HMCL can continue for the holding entities, going forward, which should help them service their obligations in a timely manner.

ICRA notes that the Group's investee company in the financial services business raised sizeable fresh private equity (PE) funding in Q1 FY2023, and its renewable energy business also entered into an agreement with a global investment firm, Kohlberg Kravis Roberts (KKR). A majority of the funding requirement of these two material investee companies over the medium term is expected to have been met through funds tied up from external investors, thereby limiting the incremental investments from the holding entities. ICRA would continue to monitor the performance of key investee companies and developments related to their fund-raising initiatives. Any delays in the same and extension of material support from holding companies resulting in higher borrowings will be a key rating sensitivity.

The consolidated interest coverage for the holding entities, at 2.1 times (as on March 31, 2024), remains modest. Also, the entities continue to face moderate refinancing risk due to their short-term borrowings. ICRA notes that a significant portion of short-term debt being raised by the holding entities has been of longer tenure (ranging from nine months to a year) to reduce frequent refinancing requirements. Additionally, there are no maturities for non-convertible debentures due over the next two fiscals. The short-term debt maturities of the holding entities have been kept adequately backed up by maintaining adequate cash and liquid investments. Additionally, the management is confident of the availability of short-term credit lines, as in the past, if so required. ICRA notes that the company faces risk of acceleration in debt repayment, in case there is a breach of financial and/or rating linked covenants and is not able to get waivers from the lenders/investors in a timely manner.

An income tax demand of Rs. 2,336.7 crore (including interest) was received by HMCL in Q3 FY2019. As per the management, liability for the claim, in case it materialises, would fall on BMOP. The company received a favourable outcome from the Income Tax Tribunal in July 2024 with regards to the claim. ICRA would continue to monitor the developments in this regard.

ICRA also notes that there are ongoing investigations against HMCL by various Government entities. The management of the company has clarified that the investigation does not relate to the parent entities of HMCL. Nevertheless, given that the financial flexibility for the parent entities stems from the market value of their investments in HMCL, ICRA will continue to closely monitor the developments in this regard.

The Stable outlook on the rating reflects ICRA's belief that the holding entities will continue to benefit from the significant market value buffer on their investments in HMCL along with stable dividend income, thereby helping them maintain their strong credit profile and financial flexibility.

ICRA has withdrawn the rating assigned earlier to the Rs. 1,700-crore NCD programmes of the company as there is no amount outstanding against the instruments.

Key rating drivers and their description

Credit strengths

Strong financial flexibility from being principal holding companies of HMCL – BCIPL and BMOP are the holding companies of HMCL (rated [ICRA]AAA(Stable)/[ICRA]A1+), Hero Fincorp Limited (HFCL rated [ICRA]AA+(Stable)/[ICRA]A1+), Hero Future Energies Private Limited and Rockman Industries Limited (RIL, rated [ICRA]AA(Positive)/[ICRA]A1+). The total stake held by holding entities in HMCL is ~34% as on date, and the market value of this investment stood at ~Rs. 27,800 crore as on February 11, 2025. While the holding companies have a large headroom to leverage their shareholding in HMCL to raise debt, if required, there also exists a significant latent value in select unlisted investee companies, particularly operating in the renewable energy and financial services domains. This is indicated by the interest evinced by private equity (PE) players in the past few years.

Strong credit profile of HMCL, the principal contributor of dividend income – HMCL, the Group's flagship entity, is a leading producer of motorcycles in the world with steady cash flows and liquidity. HMCL continues to maintain a comfortable credit risk profile, with a strong market position. It has a track record of regular dividend distribution over the last 20 years. In FY2024, the dividend income was Rs. 135 per share (Rs. 917.5 crore for the holding companies). The same has increased aided by an improvement in demand in the two-wheeler industry and consequent improvement in the performance of HMCL. ICRA expects a consistent flow of dividends from HMCL to continue over the medium term, which will aid the cash flows of its holding companies.

Experienced promoters with investments in diverse industries – The promoters—the BM Munjal family—have nearly 35 years of experience in managing various businesses in India. At present, the key investments of BCIPL and BMOP encompass industries such as automotive and auto components (HMCL, RIL), financial services (HFCL), renewable energy (HFEPL), higher education and training (BML Educorp Services Limited and Herox Private Limited), and electronics (Hero Electronix Private Limited).

Credit challenges

Concentration of investment in HMCL and significant dependence on its dividend payout – HMCL contributed almost the entire holding companies' dividend income in FY2024[1]. Consequently, the holding entities are predominantly dependent on the performances of HMCL and the auto industry for their cash flows. HMCL's strong credit profile and consistent track record of declaring dividends, provide comfort. However, the 2W industry is yet to fully recover from the pandemic lows and is simultaneously witnessing a structural shift towards electric vehicles (EVs). As such, the financial flexibility of the entities, which is linked to HMCL's share price, will likely remain volatile in the near to medium term.

Moderate coverage indicators and refinancing risk – The debt coverage indicators for the holding entities remain moderate because of their sizeable debt (net external debt[2] of ~Rs. 4,199 as on December 31, 2025, including accrued interest), which has been primarily deployed towards investments in key investee companies and business realignment. The debt is expected to remain range-bound at Rs. 4,200-4,500 crore over the medium term. The associated borrowing cost, given the expected debt levels, is likely to keep the coverage indicators subdued in the near term. BCIPL has outstanding CP borrowings of Rs. 850 crore (as on February 18, 2025), due over the next 12 months. ICRA takes comfort from the fact that even during periods of increased risk aversion in the market, BCIPL has been able to timely refinance its commercial paper borrowings and raise long-term debt.

Liquidity position: Adequate

The liquidity profile of holding entities is expected to remain adequate, aided by consistent dividend inflows from HMCL (averaged at Rs. 920-950 crore over FY2024/FY2025). The entities had available cash and liquid investments of ~Rs. 129 crore as on December 31, 2024. Against the same, it has investment commitments of Rs. 150-200 crore/annum and repayment obligations of ~Rs. 730 crore (besides CP maturities of ~Rs. 850 crore) till March 2026. Despite some demand volatility, ICRA expects HMCL to maintain its leadership position in the 2W industry and healthy credit profile over the medium term. This is likely to ensure a consistent flow of dividends to its promoter companies and aid their debt servicing and investment obligations. Further, the holding entities are expected to refinance their upcoming debt maturities, aided by financial flexibility from the market value of their 34% stake in HMCL (valued at ~Rs. 27,800 crore as on February 11, 2025), reputed and resourceful promoters as well as its healthy relationships with financial institutions as part of the BML Munjal Group.

Rating sensitivities

Positive factors – ICRA could upgrade BCIPL's ratings if, inter alia, there is a material increase in its dividend income along with diversification of its income streams and/or significant reduction in its consolidated debt leading to an improvement in its debt coverage metrics.

Negative factors – Pressure on BCIPL's ratings could arise for reasons including deterioration in the credit profile of the key investee company (HMCL) or significant decline in dividend income of the holding companies, or a reduction in market value of the holding companies' investments, resulting in market value of their unencumbered equity shares in the listed companies falling below 4.0 times the outstanding debt on a sustained basis. Moreover, inability to reduce short-term debt exposure/attain adequate back-up lines of credit, leading to enhanced refinancing risk and/or Group debt significantly exceeding the expected levels could also trigger a rating revision.

[1] *Investments of BMOP refer to its investment in shares of various companies and exclude investment in debentures of BCIPL.*

[2] *Net external debt = Total debt less inter-corporate loans less cash and liquid investments. BCIPL has inter-corporate borrowings from BMOP.*

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Investment Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of BCIPL and BMOP, given the close business, financial and managerial linkages between them.

About the company

Incorporated in September 1979 as a private limited company, BCIPL was converted to a core investment company (CIC) in October 2016. It is a holding company for the BML Munjal family-promoted Hero Group and is one of the holding companies of Hero MotoCorp Limited (rated [ICRA]AAA (stable)/ A1+), the largest 2W manufacturer in the world. BCIPL is ~100% held by Brijmohan Lal Om Parkash, a partnership firm. Together with its parent, it holds ~34% stake in HMCL (BCIPL directly holds 20% stake in HMCL, while BMOP holds ~14%). BCIPL and BMOP also hold equity investments in numerous Group companies, with key entities being HMCL, Hero Future Energies Private Limited, Hero FinCorp Limited, BML Educorp Services Limited and Hero InvestCorp Private Limited (which owns majority stake in Rockman Industries Limited).

Key financial indicators

	BCIPL Standalone		(BCIPL+BMOP) Consolidated*	
	FY2023	FY2024	FY2023	FY2024
Operating income	421.4	582.7	705.9	987.1
PAT	-48.2	103.4	81.1	296.8
OPBDIT/OI	99.4%	96.6%	98.4%	97.7%
PAT/OI	-11.4%	17.7%	11.5%	30.1%
Total outside liabilities/Tangible net worth (times)	2.4	2.5	0.5	0.6
Total debt/OPBDIT (times)	17.1	13.5	6.3#	5.2#
Interest coverage (times)	1.2	1.4	1.7	2.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs crore

*Source: Company, ICRA Research; *ICRA Estimated (Line-by-line consolidation of BCIPL with BMOP)*

#Total debt in holding entities excludes inter-corporate debt given to BCIPL by BMOP and includes accumulated interest

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th rowspan="3" colspan="2">Instrument</th><th colspan="3">Current Rating (FY2025)</th><th colspan="5">Chronology of Rating History for the past 3 years</th></tr>
<tr><th rowspan="2">Type</th><th rowspan="2">Amount Rated (Rs. crore)</th><th>Date & Rating</th><th colspan="3">Date & Rating in FY2024</th><th>Date & Rating in FY2023</th><th>Date & Rating in FY2022</th></tr>
<tr><th>February 20, 2025</th><th>February 23, 2024</th><th>August 9, 2023</th><th>Jun 23, 2023</th><th>Sep 2, 2022</th><th>Sep 3, 2021</th></tr>
<tr><td>1</td><td>NCD Programme</td><td>Long-term</td><td>2,500.0</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td></tr>
<tr><td>2</td><td>Long-term Borrowing Programme</td><td>Long-term</td><td>50.0</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td><td>[ICRA]AA (Stable)</td></tr>
<tr><td>3</td><td>Commercial Paper Programme</td><td>Short-term</td><td>2,500.0</td><td>[ICRA]A1+</td><td>[ICRA]A1+</td><td>[ICRA]A1+</td><td>[ICRA]A1+</td><td>[ICRA]A1+</td><td>[ICRA]A1+</td></tr>
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Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD Programme (Rs. 2,000.0 crore)	Simple
NCD Programme (Rs. 500.0 crore)	Simple*
NCD Programme (Rs. 1,700.0 crore)	Simple**
Long-term Borrowing Programme	Simple*
Commercial Paper Programme	Very Simple

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

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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
INE087M08050	Non-convertible Debenture Programme	Mar 2, 2020	9.47%	Mar 1, 2024	650.0**	[ICRA]AA(Stable); withdrawn
INE087M08068	Non-convertible Debenture Programme	Mar 9, 2020	9.95%	Mar 8, 2024	1,050.0**	[ICRA]AA(Stable); withdrawn
INE087M08092	Non-convertible Debenture Programme	Sep 8, 2023	9.25%	Sep 8, 2027	500.0	[ICRA]AA(Stable)
INE087M08118	Non-convertible Debenture Programme	Mar 7, 2024	9.50%	Mar 6, 2028	700.0	[ICRA]AA(Stable)
INE087M08126	Non-convertible Debenture Programme	Mar 1, 2024	9.25%	Aug 28, 2028	400.0	[ICRA]AA(Stable)
INE087M08134	Non-convertible Debenture Programme	Mar 1, 2024	9.25%	Mar 1, 2028	400.0	[ICRA]AA(Stable)
-	Non-convertible Debenture Programme	NA	NA	NA	500.0*	[ICRA]AA(Stable)
NA	Long-term Borrowing Programme	NA	NA	NA	50.0*	[ICRA]AA(Stable)
INE087M14BO6	Commercial Paper Programme	Sep 13, 2024	-	Aug 5, 2025	100.0	[ICRA]A1+
INE087M14BP3	Commercial Paper Programme	Sep 13, 2024	-	Aug 26, 2025	150.0	[ICRA]A1+
INE087M14BR9	Commercial Paper Programme	Jan 10, 2025	-	Jan 9, 2026	50.0	[ICRA]A1+
INE087M14BR9	Commercial Paper Programme	Jan 13, 2025	-	Jan 9, 2026	50.0	[ICRA]A1+
INE087M14BS7	Commercial Paper Programme	Jan 15, 2025	-	Dec 3, 2025	100.0	[ICRA]A1+
INE087M14BR9	Commercial Paper Programme	Jan 15, 2025	-	Jan 9, 2026	50.0	[ICRA]A1+
INE087M14BT5	Commercial Paper Programme	Jan 22, 2025	-	Nov 6, 2025	100.0	[ICRA]A1+
INE087M14BU3	Commercial Paper Programme	Jan 28, 2025	-	Jan 28, 2026	100.0	[ICRA]A1+
INE087M14BU3	Commercial Paper Programme	Feb 3, 2025	-	Jan 28, 2026	150.0	[ICRA]A1+
NA	Commercial Paper Programme	Yet to be placed			1,650.0*	[ICRA]A1+

*Source: Company; *Yet to be placed; **Redeemed*

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Bahadur Chand Investments Private Limited	Rated entity	Full Consolidation
Brijmohan Lal Om Parkash	Parent of the rated entity with ~100% shareholding	Full Consolidation

Source: Company

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