

May 31, 2022

Hero Mindmine Institute Private Limited: Ratings upgraded to [ICRA]BBB+ (Stable)/[ICRA]A2

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term: Fund based-facilities	5.00	5.00	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB(Stable)
Short-term: Non-fund based	1.50	2.50	[ICRA]A2; upgraded from [ICRA]A3+
Long-term / Short-term: Unallocated	3.50	2.50	[ICRA]BBB+ (Stable)/[ICRA]A2; upgraded from [ICRA]BBB(Stable) / [ICRA]A3+
Total	10.00	10.00	

*Instrument details are provided in Annexure-1

Rationale

The upgrade in ratings factors in expected improvement in the credit profile of Hero Mindmine Institute Private Limited's (HMIPL's) parent company Hero Corporate Service Private Limited (HCSPL) supported by expected ramp-up of non-motor insurance verticals resulting in revenue diversification, continued healthy credit metrics and healthy liquidity levels. The ratings also factors in revival in HMIPL's standalone performance in FY2022 owing to demand recovery with the resumption of offices and increased digital initiatives taken by the company though the revenues remained lower than pre-pandemic levels. ICRA also notes the improvement in working capital cycle in FY2022 with the realization of aged receivables.

The ratings remain constrained by the company's small scale of operations and small net worth owing to significant accumulated losses on its balance sheet. The company also has high customer concentration with top five clients generating 45-50% of its total revenues though long-standing relationships and high reputation of the clientele mitigates the risk to some extent. Additionally, in the absence of any effective entry barriers, HMIPL faces competition from organized and unorganized players in the training service industry, which limits its pricing flexibility. Nonetheless, its ability to provide differentiated services and the established relationships of Hero Enterprise Group with its various customers offers comfort.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to enjoy access to financial support from the promoters, along with improvement in its operating performance also expected over the medium term.

Key rating drivers and their description

Credit strengths

Financial support and financial flexibility because of strong parentage; continued strong credit and liquidity profile of the parent – HMIPL is a part of the Hero Enterprise Group and is indirectly wholly-owned by Mr. Sunil Kant Munjal and his family. Being a part of the Group, the company, enjoys healthy financial flexibility, and has received continued support from the promoters whenever necessary. Over the years, the promoters have infused funds in the form of compulsorily convertible preference equity shares and interest free unsecured loans. The parent company-HCSPL derives almost 85-90% of the revenues from its insurance broking subsidiary -Hero Insurance Broking India Pvt Ltd (HIBIPL)primarily from two-wheeler segment. After facing operating and net losses over FY2019 and FY2020 owing to reasons including one-time expenses due to business reorganization, HCSPL's credit profile has improved in FY2021 as reflected by healthy operating margins, cash accruals and debt coverage metrics. Moreover, the entity continues

to have a healthy liquidity position which lends comfort. HIBIPL has also secured a composite insurance broking license in April 2021 allowing it to sell non-motor insurance and reinsurance products as well. This will enable it to ramp up non-motor insurance verticals which would provide revenue growth as well as revenue diversification thus improving overall HCSPL's business and credit profile. The parent continues to maintain healthy liquidity of around Rs. 100+ crore of liquidity in the form of cash balances and liquid investments which provides strong financial flexibility to HMIPL.

Healthy order book in training services business across reputed client base giving good revenue visibility and expected improvement in credit metrics – The revenues of HMIPL declined by 48% in FY2021 led by impact of Covid-19 wave as the company's primary mode of training was offline trainings and many corporates deferred the training schedules. In FY2022, the company saw a steady demand revival with the opening of offices as well as transition to digital mode of training resulting in 24% growth in revenues to Rs. 12 crore coupled with recovery in operating margins. The company already has an orderbook of Rs. 10-11 crore for FY2023 indicating a strong revenue visibility and ability to expand its scale going forward. The company also witnessed improvement in working capital cycle owing to realization of aged receivables in FY2022. With the expected recovery in margins supported by revenue recovery and minimal debt, the debt protection metrics such as interest cover are expected to improve in the near to medium term.

Credit challenges

Small scale of operations and presence in fragmented industry limits pricing power – HMIPL's scale of operation remains small with annual revenue of ~Rs. 12 crore in FY2022. Due to accumulated losses in the past, the company has small net worth base of Rs.6.9 crore as on March 31, 2022. Additionally, the company is exposed to intense competition from a number of players in the training industry, thus limiting its pricing power.

High customer concentration risk, mitigated to an extent through longstanding relationships and reputed client base – With 20-25% of its revenue being generated from its largest client i.e., Maruti Suzuki India Limited (MSIL) and 45-50% of revenues being generated from the top five clients, the company remains exposed to high customer concentration risk. The risk is partially mitigated by established long standing relationships with the clientele, strong brand equity from 'Hero' brand and high reputation of the client base. As a result, the company has also not faced any significant bad debts in the past.

Liquidity position: Adequate

HMIPL's liquidity position remains **adequate** supported by unutilised working capital limits of Rs. 5 crore, no long-term debt repayments, and limited capex requirements (~Rs. 0.1 crore p.a.). Moreover, ICRA expects the parent which has a healthy credit profile and liquidity position; to timely support the company in case of any funding requirements.

Rating sensitivities

Positive factors – HMIPL's ratings could be upgraded if there is an improvement in the parent's credit profile, along with an improvement in the financial performance of the company, aided by a scale-up in its core business of training services.

Negative factors – HMIPL's ratings could be downgraded if the company's financial performance weakens, on a sustained basis, or if the parent's credit profile or likelihood of financial support weakens from the current level.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Approach-Implicit support from Parent or Group
Parent/Group Support	Parent/Group Company: Hero Corporate Service Private Limited (HCSPL) The rating assigned to HMIPL factors in the moderate likelihood of its parent company, HCSPL, extending financial support to it because of the high reputation sensitivity due to name sharing and past track record of financial support.
Consolidation/Standalone	Standalone

About the company

Incorporated in 2007, HMIPL provides services in the domain of learning and development. The company is primarily involved in providing corporate training and skill development services at various employment levels. It provides other services such as content development, performance consulting and HR solutions as well. Its customer base primarily includes corporates spread across numerous industries such as automobile, banking and financial services, consumer electronics, construction, infrastructure, FMCG, telecom and manufacturing, among others.

Pursuant to the business realignment among members of the Late Brij Mohan Lal Munjal family in August 2016, HMIPL is now a part of the Hero Enterprise Group, which is led by Mr. Sunil Kant Munjal. The company was established as the training and development venture of the earlier consolidated Hero Group and acquired by Hero Corporate Service Private Limited (HCSPL) on a going concern basis through a slump sale in August 2007. HCSPL, which is wholly-owned by the promoters through Global Ivy Ventures LLP, is an intermediate holding company of HMIPL and at present holds a 96.3% stake in the company (excluding preference shares).

The company is promoted by Mr. Sunil Kant Munjal, who is the Chairman of Hero Enterprise group, which has interests in insurance broking, steel-rolling, real estate, and corporate training etc.

Key financial indicators (audited)

DLL (Consolidated)	FY2020	FY2021	FY2022 (Provisional)
Operating Income (Rs. crore)	18.4	9.5	11.8
PAT (Rs. crore)	1.7	0.2	0.2
OPBDIT/OI (%)	8.8%	-1.5%	3.1%
PAT/OI (%)	9.1%	1.7%	1.5%
Total Outside Liabilities/Tangible Net Worth (times)	1.1	0.7	0.4
Total Debt/OPBDIT (times)	2.8	-18.2	2.7
Interest Coverage (times)	6.3	-2.3	27.0

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

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					May 31, 2022	-	Mar 30, 2021	Dec 6, 2019	Jul 11, 2018
1	Cash Credit	Long Term	5.00	NA	[ICRA]BBB+ (Stable)	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	Non-fund based limit	Short Term	2.50	NA	[ICRA]A2	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+
3	Unallocated limits	Long term and Short Term	2.50	NA	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term: Fund based-facilities	Simple
Short-term: Non-fund based	Very Simple
Long-term / Short-term: Unallocated	Not Applicable

(*) The complexity categorisation is as per the latest understanding of ICRA and is subject to change once the issuance terms are finalised.

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: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based- Cash Credit	NA	NA	NA	5.00	[ICRA]BBB+ (Stable)
NA	Non-fund based - Bank Guarantee	NA	NA	NA	2.50	[ICRA]A2
NA	Unallocated	NA	NA	Na	2.50	[[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Company

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

Annexure-2: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545328

shamsherd@icraindia.com

Kinjal Shah

+91 022 61143400

kinjal.shah@icraindia.com

Sheetal Sharad

+91 124 4545374

sheetal.sharad@icraindia.com

Dishant Mahajan

+91 9971013432

dishant.mahajan@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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