

HeroFinCorp.

Hero Fincorp Ltd.

By Altius Investech





Genesis

Hero Fincorp Ltd. (HFCL) is the financial services arm of India's **largest** two-wheeler maker **Hero MotoCorp Ltd.**

Products: Two-wheeler financing, SME Lending, Personal Loans etc.

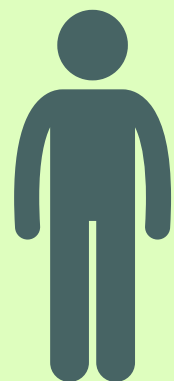
Established in **1992** as **Hero-Honda FinLease Ltd.**, Hero Fincorp underwent a name change after Hero MotoCorp acquired full ownership of '**Hero Honda**' following Honda Motor Company's departure from their joint venture.

Currently, the Company's footprint extends to nearly **2000** retail outlets | **2000** corporate clients | **1000** dealerships, spanning over **1900** cities, towns, and villages.

Rating: “**AA+** with stable outlook”: by CRISIL, ICRA and CARE.

Products

Retail Loans	Corporate Loans
Two-Wheeler Loans	SME and Commercial Loans
Used-Car Loans	Supply Chain Financing
Personal Loans	Working-Capital Loans





Segment – Wise Performance

Retail Business:

Two-wheeler loans:

- Disbursements - 1 Million (8.78 Lakh in FY23)
- Total active customer base - 2.5 Million
- Asset book: Rs. 8,631 Crs.
- **900** dealerships as of FY23.

SME & Corporate Business:

- 75 Locations.
- In FY23, Rs. 7,572 Crs. worth of loans were disbursed.
- Asset book: Rs. 12,538 Crs.


Future Outlook

- **Embracing Digital Initiatives:** Prioritizing digital initiatives to enhance customer service and promote digital EMI payments.
- **Implement Data Analytics:** Utilizing data analytics to streamline loan disbursement processes and enhance loan recovery strategies to improve operational efficiency.
- **Strengthen Loan Portfolio:** Implementing robust risk management practices and ensuring prudent lending practices to mitigate credit risks.





Timeline

- **1991-2012:** Incorporated as Hero Honda Finlease Ltd. | Renamed as Hero Fincorp Ltd.
 - **2013-19:** Received equity infusion of INR 106 Cr. | Launched Two-Wheeler Financing business, Used Car Business | 3000 touchpoints in 1700+ locations
 - **2020:** Achieved the status of India's No.1 Two-Wheeler Financier. | Among the Top 3 NBFCs in Pre-Owned Car Loans. | Secured a fund-raising agreement of INR 1,075 Cr. from PE Investors & Promoters.
 - **2021:** Launched a Customer Service App. | Introduced 'SimplyCash', a digital Loan Product.
 - **2022:** Launched Partnership Loans and achieved Disbursal of INR 1,900 Cr.+ in the first year.
 - **2023:** Achieved the highest-ever Disbursals in FY23 | Launched EV Financing | Crossed 10 Mn. Customers | Recognized as 'Great Place to Work' for the 6th year in a row.
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Loan Book Split

Segment	Percentage
Retail Lending	
• Two-Wheeler Lending	23%
• Used Car Financing	5%
• Personal Loans	26%
• Home Loans	7%
Retail SME Lending (which includes unsecured business loan, loan against property, supply chain finance)	19%
Corporate Lending	15%
Lending on CROMS Platform	5%
Total	100%

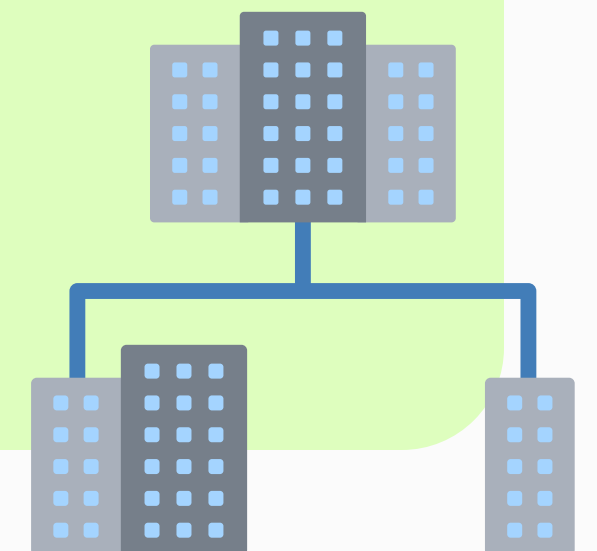
Loan Book Split



- Two-Wheeler Loans
- Used Car Financing
- Personal Loans
- Home Loans
- Retail SME Lending
- Corporate Lending
- Lending on CROMS Platform

Hero Housing Finance Ltd. (HHFL)

- Hero Housing Finance Limited (**HHFL**) is a wholly-owned subsidiary of Hero Fincorp Ltd.
- HHFL commenced its lending operations in **April 2018**.
- **Products:** Housing loans, loans against property and construction loans.
- **PAT** - FY24: Rs. 36.10 Crs. | FY23: Rs. 22.63 Crs. | Y-o-Y Growth: **64%**



Shareholding

Name of Shareholder	As at March 31, 2024		As at March 31, 2023	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Equity shares				
Hero MotoCorp Ltd.	5,24,31,893	41.19	5,24,31,893	41.19
Bahadur Chand Investment Pvt. Ltd.	2,58,96,764	20.34	2,58,96,764	20.34
Otter Limited	1,28,82,170	10.12	1,28,82,170	10.12



Latest Funding

In its latest funding round (**4th Feb 2022**), Hero Fincorp Ltd. secured **₹2,000 crore (\$267 million)** from several investors for business expansion plans.

Date	Company	Investment Amount
Feb 2022	Apollo Global Management	₹937 crore (\$125 million)
Feb 2022	Hero MotoCorp	₹700 crore (\$94 million)

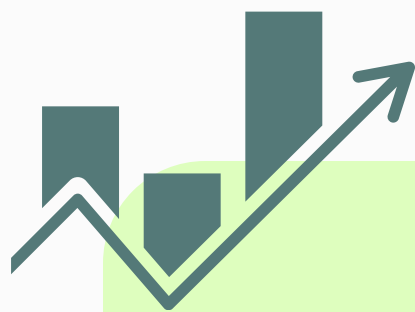
- Apollo Management's stake in Hero Fincorp post funding: **10% (Approx)**
- Estimated Valuation: **9370 Crs**
- Number of outstanding Shares: **12,73,06,674**
- Price Per Share: **Rs. 736** (As of Feb 22)





Financial Highlights

Particulars	As at March 31, 2024	As at March 31, 2023
Financial Liabilities: Subordinated liabilities (₹ in Crore)	937.98	881.67
Profit before tax (₹ in Crore)	1,273.89	1,022.65
Profit after tax (₹ in Crore)	950.61	767.39
Debt equity ratio (no. of times)	4.66	4.09
Net worth (₹ in Crore)	8,386.79	7,598.67
Total debts to total assets (%)	80.49	77.43
Net profit margin (%)	12.18	12.70



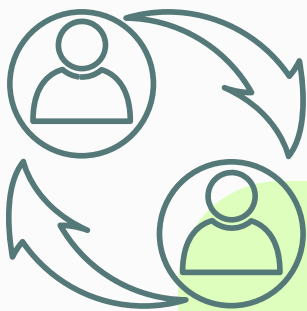
Financial Highlights

Disbursements (INR Crores)



Profit/(Loss) After Tax (INR Crores)





Peer Comparison

Particulars	Hero Fincorp	Bajaj FinServ	Shriram Finance
Total Income	6,402 Crs.	82072 Crs.	30508 Crs.
PAT	480 Crs.	12210 Crs.	6011 Crs.
Net Profit Margins	7.5%	14.8%	19.7%
CMP (03/05/24)	₹ 1699	₹ 1640	₹ 2608
Market Cap	21,629 Crs.	2,61,580 Crs.	97,992 Crs.
P/E Ratio	45	40	16.25
P/B Ratio	4.12	4.33	2.00



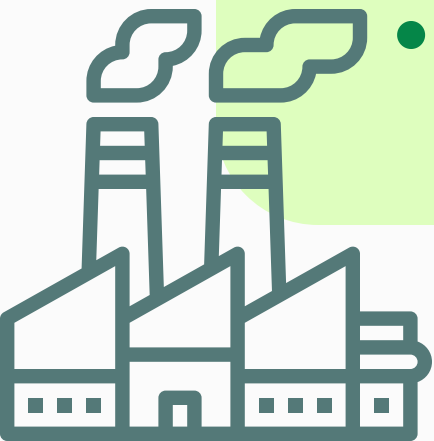
Relevance of NBFCs in the Indian landscape:

NBFCs have emerged as a significant force in promoting financial inclusion in India by successfully catering to the underserved segments of society.

The growing market share of NBFCs can be attributed to the lighter and more flexible regulations imposed by the RBI and their focus on specific sectors and niche markets.

Key Highlights:

- As of September 2023, NBFCs in the country have disbursed loans amounting to over **450 billion U.S.D**
- As per ICRA, the NBFC-Retail AUM growth rate in FY23 was **16-18%** in FY23 | and 12-14% in FY24.
- Projected CAGR of the NBFC sector: **18.5% | 2021 – 2026**





Vehicle Finance Industry Trends – India

The Two-wheeler loan market across India is estimated to be **12 Billion U.S.D** by 2025. Vehicle loans have surged by **137%** in the past 3 years, becoming the second-largest loan segment after home loans.

Vehicle Finance Industry In India: **CAGR of 11% | 2022-2027.**

The rapid growth is driven by:

- Low interest rates
- Increasing ownership of two-wheelers due to their Cost-effectiveness
- Automakers are setting up an increasing number of Production Plants
- Increasing disposable income | Evolving consumer preferences

Key Trends:

- Rising demand for electric vehicles: Due to Government initiatives boosting **EV adoption**
- Expansion of car loans to Tier 2 and Tier 3 cities
- Digitalization

(Source: BCG Report – Dec 23, ET-BFSI, ICRA, Statista, Mint)



Recent Developments

News as of **March 5, 2024**:

- Hero Fincorp witnessed a **25% rise** in AUM to Rs. 49,127 crore | **26%** increase in Disbursals to Rs. 24,979 Crs. in the **9MFY24**.
- Ahead of its IPO, the company wrote off bad loans amounting to nearly Rs **1,200 Crs.**, representing approximately **3.4%** of its loan book.
- Hero Fincorp reported **PAT of Rs 736 Crs. in 9MFY24 | 71%** growth.
- Hero Fincorp is targeting a **PAT of Rs 1,000 Crs.** in FY25, per Joint-MD and CEO Abhimanyu Munjal.
- They have set up an in-house **tech and analytics centre** in Bengaluru.

IPO Plans

17th October 2023:

Hero Fincorp Ltd. has decided to initiate a substantial IPO in 2024.
The targeted size is approximately **₹4,000 Crs.**

The planned offering will comprise a mix of primary and secondary share issuances.

This strategy aims to raise growth capital while facilitating an exit opportunity for certain investors.

(Source: MoneyControl)



SWOT Analysis

Key Strengths:

- Strong Parentage and Support from Hero Group
- PAN India's presence of network
- Diversified Borrowing Profile
- Adequate Capitalization Profile
- Well-defined organizational structure | Experienced senior management team.

Key Weaknesses:

1. Weak Asset Quality
2. High Credit Costs Constraining Profitability



SWOT Analysis

Opportunities:

- 1.Untapped markets | Digital Ventures | MSME Financing
- 2.Hero Fincorp's Launch of Electric Vehicle financing in 2023 offers a prime opportunity to tap into the growing market for eco-friendly transportation.

Threats:

- 1.Competition from finance companies and small banks.
- 2.External risks such as liquidity stress and political uncertainties.
- 3.Regulatory and compliance-related changes.



Contact Us

Email



abhishek@altiusinvestech.com
contact@altiusinvestech.com

Website



<https://altiusinvestech.com/index>

Call us



+91-9038517269 ,+91-9830271248

