

Hero Realty Private Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	358.51	CARE A+; Stable	Reaffirmed
Long-term / short term bank facilities	140.75	CARE A+; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings of bank facilities of Hero Realty Private Limited (HRPL) continue to factor in strong managerial and financial linkages of the entity with Hero Enterprise group and healthy financial flexibility of the group basis assessment of value of marketable investments covering over six times of total debt at group level. As a real estate arm, HRPL is a strategically important entity for the group, as evidenced by infusion of over ₹1,150 crore of funds as on March 31, 2024 (at a consolidated level). The rating continues to derive strength from near-completion of ongoing projects with minimal potential finishing cost pending, indicating limited execution risk and comfortable committed receivable coverage ratio.

However, rating strengths are constrained by substantial development plans in the pipeline. As a result, HRPL's exposure to execution and saleability risks is expected to increase in the near term. Rating strengths are also partially offset by moderate size of operations, geographical concentration risk, and the inherent cyclicity of the real estate sector. Bookings in the current fiscal stood modest given minimal inventory pending in ongoing projects and no substantial area was launched. In FY26, sizeable projects are planned to be launched and accordingly, company's ability to ramp-up bookings and collections, and maintenance of low leverage profile, will remain monitorable. CARE Ratings Limited (CARE Ratings) expects that the group will continue to provide adequate support in case of contingencies related to ongoing or upcoming projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant addition in the project portfolio of the company, leading to substantial increase in annual bookings and collections, while maintaining gross debt to annual collections below 0.5x, on a sustained basis.

Negative factors

- Increase in group's debt levels or significant deterioration in market value of investments leading to deterioration in the ratio of market value of investments/total debt at group level falling below 4x on a sustained basis.
- Material changes in the shareholding pattern with stake of Hero Enterprise Group falling below 51%.
- Significant increase in HRPL's debt level, leading to debt funding exceeding 20% of the total project cost of project portfolio.

Analytical approach: Consolidated

CARE Ratings has considered the consolidated business and financial risk profile of HRPL, and entities listed under Annexure-6 as these entities have common management, operational and financial linkages. Comfort is derived from strong managerial and financial linkages of HRPL with Hero Enterprise group and strategic importance of the entity to the group.

Outlook: Stable

The stable outlook reflects CARE Ratings' belief that HRPL will continue to derive benefit from financial flexibility of the Hero Enterprise group, while maintaining its stable business profile.

Detailed description of key rating drivers:

Key strengths

Strategic importance of the entity

As a real estate arm, HRPL remains integral for the Hero Enterprise group to expand its footprints in the real estate business. HRPL is indirectly wholly owned by Sunil Kant Munjal, and being part of the group, it benefits from the group's strong financial profile of the group. The company derives managerial support from Hero Enterprise group with Sunil Kant Munjal being chairman of the group and the entity. The company also shares common brand name and real estate projects of the company are also marketed with common brand name 'Hero Homes'. These factors reflect strong linkages between Hero Enterprise group and HRPL, implying strategic importance of the entity and strong moral obligation on part of the group to extend support to the entity, whenever required.

Funding pattern characterised by strong financial support from Hero Enterprise group

Over the years, the company has been adequately supported by the group as evident from infusion of ~₹1150 crore of funds in the entity as on March 31, 2024 (at consolidated level) through unsecured loans, and equity share capital. In the current fiscal, the promoter has further infused close to ₹200 crore in the entity mainly to fund the initial cost for upcoming project. As on

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

January 31, 2025, the company has incurred project cost (including finance cost) of over ₹3,000 crore towards ongoing and upcoming projects. Over 30% of project costs, are funded through promoter contributions toward real estate projects, with ~7% funded through debt, and the remaining through customer advances. With low level of debt and substantial promoter infusion, the funding structure has remained comfortable for ongoing projects. For upcoming projects, majority funding is planned to be funded through customer advances. Therefore, maintaining a healthy sales velocity in these projects is crucial to maintain low reliance on debt.

Healthy booking status and limited unsold inventory

As on January 31, 2025, company has sold inventory of ~₹1,293 crore, which is 95% of total projected revenue of ongoing projects and in area terms, it has sold ~97% of total area. The company has low unsold inventory of ~₹70 crore and based on average of the last nine quarters ended December 31, 2024; it has sold average inventory of over ₹30 crore per quarter. However, low unsold inventory is also attributable to the fact that limited area has been launched in the previous two fiscals. Going ahead, sizeable projects are planned to be launched in the medium term and accordingly, the company's ability to ramp-up bookings and collections, will remain monitorable.

Limited execution and funding risk

In the ongoing project portfolio, the company has incurred ~87% of the total project cost with the remaining costs primarily related to project completion. These costs are expected to be mostly funded through customer advances. Committed receivables for overall project portfolio remain strong, covering ~70% of remaining project costs and outstanding debt as of January 31, 2025. Thus, execution and funding risks are mitigated to a large extent.

Key weaknesses

Sizeable Expansion Plan

The company plans to develop ~50 lsf in the near-to-medium term, with an estimated project cost exceeding ₹4,900 crore. This is significantly higher compared to the total project cost of ~₹3,000 crore for projects undertaken till date. Accordingly, the company's future development plans are considerable, which is expected to elevate the execution risk. To fund project cost pertaining to upcoming projects, the company is majorly reliant on customer advances with low dependence on external debt. Accordingly, its ability to timely execute and achieve healthy bookings in new projects, in line with its past track record, while maintaining low leverage profile will remain monitorable.

Moderate size of operations

As on December 31, 2024, HRPL had three on-going projects and one completed project. In the current fiscal, the company has received modest bookings owing to limited inventory pending in the ongoing projects and collections stood moderate at ~₹230 crore in the last four quarters ended December 31, 2024, which reflects moderate scale of the operations. CARE Ratings notes that upcoming phases of ongoing projects and a new project in Gurgaon is in process of launch in the near term, and accordingly, the size of bookings and collections is expected to increase in upcoming year. Timely launch of these projects and achievement of healthy sales in these projects remain crucial to maintain effective cash flow position. Any diversification in revenue streams may supplement cash flow position and improve size of operations.

Limited geographic presence

All the company's ongoing projects are being executed in Ludhiana, Mohali, and Gurgaon, thus, there is considerable geographic concentration. Even the future projects are planned to be launched in these areas. Downturn or operational or regulatory challenges in such micro markets may impact developer's revenues going forward. Given the concentration, timely receipt of RERA registration, and subsequent launching of upcoming project remains crucial to maintain revenue profile, going ahead.

Inherent cyclicity in the real estate Industry

The company is exposed to cyclicity associated with the real estate sector, which has direct linkage with the general macroeconomic scenario, interest rates, and level of disposable income available with individuals. In case of the real estate companies, profitability highly depends on property markets. A high-interest rate scenario could discourage consumers from borrowing to finance the real estate purchases and might depress the real estate market.

Liquidity: Adequate

As on January 31, 2025, the company has maintained free liquid balances of close to ₹12 crore. The company has adequate cash flows from the real estate business with cash coverage ratio (including accumulated surplus) to remain adequate to meet upcoming debt obligations. As on January 31, 2025, the company has adequate committed receivables of over ₹300 crore, which comfortably covers debt obligations of over ₹170 crore till end of FY26.

The group has demonstrated track record of supporting the entity with infusion of over ₹1,150 crore in the entity (at consolidated level), hence, such funding support from the group, when required, lends adequate comfort.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Rating methodology for Real estate sector](#)
[Short Term Instruments](#)
[Notching by Factoring Linkages in Ratings](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

Incorporated in 2006, HRPL is part of the Hero enterprise Group and is engaged in real estate development. HRPL has developed ~150 acres of residential townships and 230 acres of industrial parks in Haridwar. Presently, HRPL is developing residential/plotted developments in Mohali, Ludhiana, and Gurugram spread across over 50 Isf, in phases. Of this, the area launched for sales as on January 31, 2025, stood at ~25 Isf.

Consolidation

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	348.78	297.02
PBILDT	44.43	51.77
PAT	13.23	37.89
Overall gearing (times)*	1.36	1.41
Interest coverage (times)	1.35	1.39

A: Audited; Note: these are latest available financial results.

Standalone

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	345.31	292.19
PBILDT	45.02	51.89
PAT	13.77	38.03
Overall gearing (times)*	0.60	0.79
Interest coverage (times)	1.37	1.39

A: Audited; Note: these are latest available financial results.

*Unsecured loans infused by promoter, to the extent mentioned in covenants of sanction letters are treated as quasi equity.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	31-03-2030	358.51	CARE A+; Stable
Fund-based/non-fund-based-LT/ST	-	-	-	-	131.75	CARE A+; Stable / CARE A1
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	9.00	CARE A+; Stable / CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	358.51	CARE A+; Stable	1)CARE A+; Stable (05-Apr-24)	1)CARE A+; Stable (06-Apr-23)	-	1)CARE A+; Stable (17-Jan-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	9.00	CARE A+; Stable / CARE A1	1)CARE A+; Stable / CARE A1 (05-Apr-24)	1)CARE A+; Stable / CARE A1 (10-Apr-23)	-	-
3	Fund-based/non-fund-based-LT/ST	LT/ST	131.75	CARE A+; Stable / CARE A1	1)CARE A+; Stable / CARE A1 (05-Apr-24)	1)CARE A+; Stable / CARE A1 (10-Apr-23)	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/non-fund-based-LT/ST	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Unnati Industrial Parks Pvt Ltd	Full	Wholly owned subsidiary
2	Ekashruti Infra Pvt Ltd	Full	Wholly owned subsidiary
3	Vyatam Infra Private Limited	Full	Wholly owned subsidiary
4	Mangalam Infrastructure Developers	Full	Wholly owned subsidiary
5	Pragati Parks Pvt Ltd	Moderate	Associate
6	Hero Realty and Infra Private Limited	Moderate	Associate

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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