

Hero Ecotech Limited

September 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	120.00 (Enhanced from 100.00)	CARE BBB+; Stable / CARE A2	Reaffirmed; Outlook revised from Negative
Short Term Bank Facilities	15.00	CARE A2	Reaffirmed
Long Term / Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in outlook and reaffirmation of ratings assigned to the bank facilities of the Hero Group (comprising Hero Ecotech Limited and Hero Exports, assessed on a combined basis) underscores the group's stable operational performance in FY25 (April 01 to March 31), supported by consistent growth in revenue, even as profitability margins remained moderate. Further, the ratings continued to derive strength from comfortable financial risk profile, experienced promoter group, the well-established Hero brand, and the group's strong market positioning across segments. The ratings also favourably factor in diversified product portfolio, strategic locational advantages, and a reputed and geographically diversified customer base. However, these strengths are partially tempered by significant financial exposure to group entities, an elongated receivables cycle (albeit improving), the partnership constitution of Hero Exports, and the vulnerability of profit margins to fluctuations in raw material prices.

CARE Ratings Ltd. has withdrawn the rating assigned to the long-term/short-term bank facilities of Hero Ecotech Ltd. with immediate effect, as the company has repaid the aforementioned fund-based facility in full and there is no amount outstanding under the facility as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in scale of operations thereby leading to improvement in PBILDT margin beyond 8.50% on a sustained basis.
- Improvement in total debt to PBILDT to below 2.00x on a sustained basis.

Negative factors

- Any significant decline in revenues by more than 20% adversely impacting profitability margins and liquidity.
- Deterioration in total debt to PBILDT beyond 2.5x on a sustained basis.

Analytical approach: Combined approach; CARE has combined financials of two entities viz Hero Ecotech Limited and Hero Exports [collectively referred to as Hero Ecotech Group] since, the said entities are engaged in a similar line of activity, have common promoters along with having significant operational and financial linkages. The details of the entity considered in combining the financials is provided in Annexure-6.

Outlook: Stable

The revision in outlook from 'Negative' to 'Stable' reflects the turnaround in the group's operational performance during FY25, marked by a growing scale of operations and improved execution. Additionally, the outlook revision factors in the absence of any incremental financial exposure to Hero Electric Vehicles Private Limited (HEVPL), after the proceedings under Insolvency and Bankruptcy Code (IBC) commenced in the last fiscal.

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

Detailed description of key rating drivers:

Key strengths

Top-line growth observed in FY25 amidst moderate profitability

The total operating income of the group reported y-o-y growth of ~35% in FY25, which stood at Rs.796.53 crore (PY: Rs.591.54 crore). The same was backed by growth in volumes aided by increase in tender-based orders from government departments and exports. The contribution of government orders to the total revenue increased substantially from 33.42% in FY24 to 61.48% in FY25. Despite volume growth from a 7.5 lakh-unit government order in Jharkhand, PBILDT margin remained largely flat at 5.49% in FY25 (PY: 5.54%), due to competitive pricing pressures and growing contribution from government supplies. Profitability was further impacted by a ₹11 crore provision against receivables from TOM B.V., under insolvency, and a ₹1.5 crore write-off in Hero Exports.

Comfortable financial risk profile

The total debt of the company stood at Rs.101.17 crore as on March 31, 2025 (PY: Rs.97.38 crore and primarily comprised of working capital borrowing of Rs.56.46 crore and Loan against property (LAP) loan of Rs.44.71 crore (the same was availed in FY24 in order to cater to the bicycle orders received from West Bengal govt.). The capital structure of the group stood comfortable with overall gearing of 0.37x as on March 31, 2025 (PY: 0.39x). The debt coverage indicators improved moderately with PBILDT to Interest and total debt to GCA of 3.89x and 3.01x respectively in FY25 (PY: 3.35x and 4.76x respectively) owing to better profitability.

Experienced Promoters

Mr. Vijay Munjal-son of late Shri Dayanand Munjal- is the chairman of Hero Eco group (refers to the entities, "Hero Ecotech Limited, Hero Exports, Hero Electric Vehicle Private, & Hero Eco Med Private Limited) having over four decades of experience in this industry. The group is being steered by the vision of Mr. Vijay Munjal and has its presence spanning from bicycles to electric vehicles. Mr. Vijay is ably supported by his sons Mr. Naveen Munjal and Mr. Gaurav Munjal. Mr Naveen has an industry experience of more than two decades.

Established brand name and market position with diversified product portfolio

The Hero eco is a multi-entity, multi-product and multi-location group having presence across various sectors like bicycles, electric vehicles, healthcare products and exports. Hero Eco has global footprints with a strong dealer network. It has a diversified product portfolio for domestic and international markets that consists of bicycles, bicycle components, electric vehicles, healthcare, fitness equipment, auto products and bicycle exports. It caters to all sorts of customers including kids, mountain bikers, female bikers, city bikes, athletes as well as common public at large. Hero Ecotech Limited sells bicycles under its own brand namely "Kross" in domestic market and exports under different OEM brands while Hero Exports sells under the brand name - "Hero" in the international market.

Locational advantage and integrated nature of operations

Hero Ecotech Limited has its own manufacturing unit while Hero exports has a separate unit. Both the units of Hero group are located in Ludhiana, Punjab. Ludhiana is the bicycle manufacturing hub and provides easy raw material availability and other logistical advantage to Hero Group. The manufacturing unit is fully integrated, and group manufactures major components viz. frame, fork, mud-guard, rim, etc in-house. Other components are purchased from local suppliers. Apart from the manufacturing of components, activities like coating, painting, assembly, packaging etc. are also undertaken in-house. The major raw material for the two entities is steel tubes and aluminium pipes which is assembled into a bicycle and sold under various brands by the group. Majority of the raw material is procured locally (around 80%) as the manufacturing unit is surrounded by major steel companies in the country.

Large client base with orders from government departments

Hero Group has a large clientele which has been associated with it for several decades. The clientele includes reputed global sports brands, State Governments whereas Hero Exports is a leading supplier in African regions, UAE, Bangladesh etc. During FY25, the revenue from government department stood at ~61% of the overall sales (PY: ~33%).

Key weaknesses

Significant exposure to group entity

During FY23, Hero Ecotech Limited (HEL) extended financial support amounting to ₹42.72 crore to its group entity, Hero Electric Vehicles Private Limited (HEVPL), which was undergoing financial distress. In FY24, HEL recovered ₹31.61 crore of the earlier advances. Subsequently, the company infused additional funds into HEVPL in the form of investments, subscribing to Compulsorily Convertible Preference Shares (CCPS) at a premium of ₹238 per share, aggregating to ₹46 crore. Therefore, the total exposure to HEVPL increased to Rs.57.11 crore as on March 31, 2024 as against Rs.42.72 crore as on March 31, 2023 and the same has remained stable as on March 31, 2025 with no recovery. Given HEVPL's admission to the Corporate Insolvency Resolution Process (CIRP) under the National Company Law Tribunal (NCLT), this exposure of Rs.57.11 crore is expected to be written off going forward. The adjusted net worth after excluding exposure to HEVPL stood at Rs.218.66 crore as on March 31, 2025. Therefore, the adjusted overall gearing stood at 0.67x as on March 31, 2025 (PY: 0.72x).

Elongated operating cycle

The operations of the group are working capital intensive represented by high inventory holding period and stretched collection days. Hero Eco needs to maintain sufficient inventory of raw material to ensure uninterrupted operations and to meet the market demand. The same stood at 50 days as on March 31, 2025 (PY: 77 days). Furthermore, the collection period also remains on the higher side primarily owing to government orders, which have collections ranging between 120-180 days. Also, the export customers demand a relatively higher credit period because of the longer turnaround time involved in shipment. The same stood at 108 days as on March 31, 2025 (PY: 125 days). Although, Hero Group enjoys a credit period of around 65-90 days from its creditors, the same has curtailed owing to intense competition. The operating cycle at the combined level stood at 92 days as on March 31, 2025 (PY: 104 days as on March 31, 2024). The improvement over the last year has been primarily owing to increase in scale of operations.

Risk arising from Hero Exports being a partnership entity

Hero Exports is exposed to inherent risk associated with its partnership nature of constitution like withdrawal of capital which may leverage the capital structure. Partnership concerns have restricted access to external borrowing which limits their growth opportunities to some extent. Moreover, there have been instances of capital withdrawal in Hero Exports in the past. There was withdrawal of capital by the partners to the tune of Rs.8.49 crore in FY25 (PY: Rs.14.37 crore). Nevertheless, any significant withdrawal of capital by the partners thereby impacting the capital structure of Hero Exports remains critical from credit rating perspective.

Intense competition from Chinese players

Bicycle manufacturing in India is divided between two main players – SMEs primarily being the component manufacturer & larger players take care of the assembly. Currently, the domestic production is focused on mass cycles and children's bikes followed by medium to high-end cycles. Most of these cycles are produced in the state of Punjab, which holds an 80% share in the overall bicycle production of our country. However, India is still behind the American and European markets and face intense competition from China as Chinese products are cheaper and, hence, constrain the sales of Indian manufacturers. Though, in the Union Budget 2023, government has hiked the basic customs duty (BCD) on imported bicycles from 30 per cent to 35 per cent.

Liquidity: Adequate

The liquidity position of the group is adequate marked by expected gross cash accruals of Rs. 40.94 crore to meet repayment obligations of Rs.4.21 crore for FY26 with modest utilization of bank limits and a cash and bank balance of Rs.24.87 crore as on March 31, 2025. The gearing remained comfortable at 0.37x as on March 31, 2025 (PY: 0.39x as on March 31, 2024) and above unity current ratio of 1.83x as on March 31, 2025 (1.74x as on March 31, 2023). Going forward, no major capex is envisaged, routine capex of ~Rs.5-6 crore is projected to be funded from internal accruals.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)
[Consolidated & Combined approach](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Cycles

The "Hero Eco" was incorporated in 1956 by Late Shri Dayanand Munjal- who started operations in a small factory in Ludhiana and gradually establishing it into being a global brand. The Hero Eco is presently under the leadership of Mr. Vijay Munjal -son of late Shri Dayanand Munjal. Over the years, the Hero Eco expanded itself enormously in varied fields like Bicycles, electric vehicles, and healthcare thereby becoming one of the most renowned and trusted brands in India as well as other parts of the world. The Hero Eco has presence across various sectors like Bicycle manufacturing and exports, electric vehicles, healthcare products etc. Currently, there are five companies operating under the Hero Eco viz. Hero Ecotech Limited, Hero Exports, Hero Electric Vehicles Private Limited, A2B, and Hero Eco Med Private Limited.

Brief Financials (₹ crore) (Combined financials)	March 31, 2024 (UA)	March 31, 2025 (UA)	Q1FY26 (UA)
Total operating income	591.54	796.53	126.75
PBILDT	32.76	43.71	10.43
PAT	14.09	26.88	6.04
Overall gearing (times)	0.39	0.37	NA
Interest coverage (times)	3.35	3.89	4.22

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not Available

Basis of combination: The numbers have been combined through row-by-row addition of all line items of HEL and HE after excluding intra-group purchase/sales.

Brief Financials (₹ crore) (Standalone financials)	March 31, 2024 (A)	March 31, 2025 (UA)	Q1FY26 (UA)
Total operating income	485.88	705.75	102.07
PBILDT	21.27	30.88	8.31
PAT	6.88	15.63	3.99
Overall gearing (times)	0.32	0.31	NA
Interest coverage (times)	2.86	3.41	4.37

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not Available

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing		-	-	-	0.00	Withdrawn
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	120.00	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-BG/LC		-	-	-	15.00	CARE A2

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 2025-2026	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
1	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	120.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Negative / CARE A2 (06-Aug-24)	1)CARE A-; Negative / CARE A2+ (05-Jul-23)	1)CARE A-; Stable / CARE A2+ (06-Jul-22)
2	Non-fund-based - ST-BG/LC	ST	15.00	CARE A2	-	1)CARE A2 (06-Aug-24)	1)CARE A2+ (05-Jul-23)	1)CARE A2+ (06-Jul-22)
3	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	LT/ST	-	-	-	1)CARE BBB+; Negative / CARE A2 (06-Aug-24)	1)CARE A-; Negative / CARE A2+ (05-Jul-23)	1)CARE A-; Stable / CARE A2+ (06-Jul-22)

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	Simple
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To 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	Hero Exports	Full	Operational & financial linkages

Note on complexity levels of rated instruments: CareEdge 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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