Hero Fincorp Limited (Revised)

November 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	10,699.00 (Enhanced from 6,199.00)	CARE AA+; Stable	Reaffirmed
Issuer rating Issuer Rating	0.00	CARE AA+; Stable	Reaffirmed
Commercial Paper	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Care Ratings Limited (CareEdge Ratings) takes into consideration Hero Fincorp Limited's (HFCL) consolidated profile, along with its subsidiary Hero Housing Finance Limited (HHFL).

The reaffirmation of ratings for the bank facilities and other instruments of Hero Fincorp Limited (HFCL) factors in the operational and strategic linkages of HFCL with its promoter group, the Hero Brij Mohan Lal Munjal (BML) Group, which owns an overall 78.1% (~72% on fully diluted basis) as on September 30, 2025, of which, Hero MotoCorp Limited (HMCL) directly owns 40.4% equity stake. Apart from sharing common brand name 'Hero', the ratings take into consideration HMCL's stated support philosophy for HFCL. The strong parentage also underpins the company's financial flexibility. The rating also factor in company's diversified borrowing profile and strong liquidity position.

The rating, however, is constrained by its weak profitability, moderate asset quality and slower growth in past few quarters. Further, HFCL's gearing has inched up marginally to 5.6x as on September 30, 2025 from 5.5x in March 2024, however, the same is expected to come down upon completion of in-process initial public offer (IPO). CareEdge Ratings notes that growth in scale while keeping the credit cost and asset quality under control shall remain a key monitorable in near term.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in the loan portfolio along with sustained improvement in asset quality.
- Return on total assets (ROTA) of more than 3% on a sustained basis

Negative factors

- Significant change in the shareholding pattern leading to decline in the promoter support below 51%.
- Moderation in the credit profile of HMCL (the promoter group).
- Significant deterioration in asset quality parameters or the capitalisation profile.

Analytical approach: Consolidated, taking into consideration its subsidiary, Hero Housing Finance Limited (HHFL). The ratings factor in the strong parentage of the HMCL and Hero BML Group, both together holding 78.1% shareholding as on September 30, 2025. The ratings also factor in the synergies in terms of common brand name, common promoters and equity support from the parent in terms of regular equity infusion. Please refer to Annexure 6 for the list of subsidiaries consolidated.

Outlook: Stable

The stable outlook reflects the expectations that HFCL will continue to remain strategically and economically important for its parent group, and thereby, continue to receive the required equity funding support. The outlook also reflects expectation that HFCL will continue to grow its loan book while maintaining the asset quality under control over the medium term.

Detailed description of the key rating drivers:

Key strengths

Strong parentage with demonstrated support and integration with the group

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

HFCL is majority owned (78.1% as on September 30, 2025) by HMCL and its promoter group (members of the Munjal family and their investment companies). Strong parentage with common brand name 'Hero' underpins HFCL's financial flexibility to raise capital. In FY2023, HFCL had raised equity of ₹2,000 crore, of which promotor and promoter group invested ₹1,000 crore (led by HMCL with ₹700 crore), while the other investors invested ₹1,000 crore.

Further, HFCL also has operational linkages with HMCL. HFCL is the financing arm of the Hero BML Group and is one of the major financiers for HMCL's two-wheeler sales. HFCL financed around 25% of HMCL's total vehicles financed which were funded by banks and non-banking finance companies (NBFCs) in H1FY26.

HFCL also has common board members with the Hero BML Group. HMCL's executive chairman – Dr. Pawan Munjal is also the chairman of HFCL. Ms. Renu Munjal, Director of HFCL, is part of board of Bahadur Chand Investments Private Limited and partner in Brijmohan Lall Om Prakash (partnership firm), which are promoter entities of HMCL (owning 20% as on September 30, 2025).

Diversified borrowing profile

HFCL's consolidated borrowing profile remains well diversified. As on March 31, 2025, the company's total debt (excluding CCPS) stood at ₹50,071 crore, while as on September 30, 2025, it was ₹47,492 crore. The borrowing mix as on September 30, 2025 comprised 59.7% term loans from banks, 16.7% external commercial borrowings (ECB), 5.6% non-convertible debentures (NCD), 7.4% commercial paper (CP), 3.9% working capital lines and cash credit, 1.2% refinance facility from NHB, 3.0% tier-2 NCDs, and 1.8% other subordinate debt.

The average cost of borrowing (excluding CCPS) increased to 8.15% in FY25 from 7.93% in FY24, however, in H1 FY2026, following the RBI rate cut, the average funding cost declined to 8.03%. Being Hero BML Group entity, HFCL has been able to mobilise funds from banks and capital markets at competitive rates. Going forward, driven by its strong financial flexibility, CareEdge Ratings expects HFCL to continue to raise funding at competitive rates.

Adequate capitalisation supported by recent capital raise

HFCL, being a strategically important arm of the Hero BML group, has demonstrated good capital raising ability and has raised equity time and again. Supported by equity raise, its capital adequacy ratio (CAR; on a standalone basis) was adequate at 17.4% as on September 30, 2025, above the minimum regulatory requirement of 15%, improved from 16.3% as on March 31, 2024 owing to increase in the risk weights for consumer credit by the RBI and the portfolio growth. HHFL, the subsidiary (HFCL owning 99.01% shareholding) also had CAR at 17.3% as on September 30, 2025, though declined from 26.53% as on September 30, 2023.

The consolidated borrowings to tangible net worth (gearing) stood at 5.6x (excluding CCPS) as on September 30, 2025. The company also filed Draft Red Herring Prospectus (DRHP) in July 2024 for fresh issue of ₹ 2,100 crore and offer for sale (OFS) of ₹ 1,568 crore aggregating to 3,668 crore and got the regulatory approval in May'25. In June 2025, the company has raised ₹310 crore in pre-IPO round from investors (mainly family offices of large industrial groups), which has reduced the previously planned fresh issue size to ₹1,790 crore (including further pre-IPO raise, if any) from ₹2,100 crore. With additional equity raise on cards, CareEdge Ratings expects gearing to be between 5x and 6x over the medium term owing to debt-funded growth in the portfolio.

Key weaknesses

Weak asset quality

The asset quality of the company remained moderate. Its gross Non-Performing Assets (GNPA) ratio (reported) increased from 4.0% in March 2024 to 5.1% in March 2025, due to deterioration observed in Retail finance segments (unsecured personal loan financing and vehicle financing segments). In FY2025, the company wrote off Rs. 2,283 crore (4.4% of the opening consolidated gross loan book) and further Rs. 1,500 crore in H1 FY2026, compared to Rs. 1,742 crore (4.2% of the loan book) in FY2024. Despite the write offs, NPA level remained high at 5.1% as on September 30, 2025.

The company has traditionally maintained adequate provision on its loan book. Its Provision coverage on NPA stood adequate at ~56% as on March 31, 2025 as well as September 30, 2025 as against ~51% as on March 31, 2024. Going forward, the company's ability to maintain its asset quality under control while growing its loan book shall remain a key monitorable.

Moderate profitability metrics with high credit costs

The overall profitability of the company remains under pressure due to elevated credit costs, higher operating expenses (opex) and moderation in net interest margins (NIMs). During FY2025, the company reported profit after tax (PAT) of ~Rs. 110 crore as against ~Rs. 637 crore in FY2024. Further, it reported net loss of ~Rs. 131 crore in H1FY2026.

With gradual shift from unsecured lending segment, the blended yield for the company has reduced, compressing the overall margin to 7.7% in H1 FY2026 as compared to 8.5% in FY2025. The company's opex / average total asset (ATA) has also remained high, albeit some decline driven by improvement in operational efficiencies from investments in technology for customer onboarding, collections etc. In FY25, the credit cost has increased to 5.1% as compared to 3.6% in FY24, owing to increased slippages. However, in H1FY26, the same has slightly improved to 4.8% (annualised), although remained elevated. CareEdge Ratings notes management's decision to slow down growth in the unsecured personal lending segment. Owing to moderation in margins, and increase in credit costs, company's RoTA stood at 0.2% in FY2025 (-0.5% in H1 FY2026) compared to 1.3% in FY24.

Liquidity: Strong

HFCL's liquidity profile remains strong with on-book cash and cash equivalents of ₹4,203 crore and undrawn sanction lines of ₹3,459 crore, as on September 30, 2025. This, along with scheduled collections of ₹19,165 crore over next 12 months (as per ALM of September 30, 2025), is comfortable to cover debt obligations of ₹17,426 crore due during the same period. Further, as per ALM statement as on September 30, 2025, there are no negative cumulative mismatches across any of the time buckets. Further, the company has reported a healthy Liquidity Coverage Ratio (LCR) of 140% and 146% for the quarter ended March'25 and September'25 respectively as compared to regulatory requirement of 100%.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Issuer Rating
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Withdrawal Policy
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

HFCL was incorporated in December 1991 under the name, Hero Honda Finlease Limited. Furthermore, the company changed its name to Hero Fincorp Limited in July 2011. HFCL is a middle-layer non-banking financial company (NBFC-ML) registered with the Reserve Bank of India (RBI) and is engaged in the business of lending towards various products under corporate and retail lending. The company mainly operates into retail lending 62% (which includes two-wheeler lending 15%, used car financing 9%, personal loans 26% and home loans 12%), retail SME lending 25% (which includes unsecured business loan, loan against property, supply chain finance), corporate lending 10% and lending on CROMS platform 3% as of September 30, 2025.
HHFL is a 99.01% owned subsidiary of HFCL, engaged in the lending of housing loans, loan against property and construction loans. HHFL has assets under management (AUM) of Rs. 6,929 crore as on September 30, 2025 compared to Rs. 6,795 crore as on March 31, 2025. As on September 30, 2025, home loans constituted the largest share of HHFL's AUM at 64%, followed by the LAP (29%) and construction finance and others (7%).

HMCL and its promoter group (members of the Munjal family and their investment companies) holds 39.3% and 32.7% (together 72.0% shareholding on a fully dilutive basis) in HFCL as on September 30, 2025. HFCL is supported by strong parentage in terms of regular equity infusion and operational linkages from the promoter group.

Brief Financials (₹ crore) (consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	H1 FY2026 (UA)
Total income	8,360	9,903	4,884
Profit after tax (PAT)	637	110	-131

Brief Financials (₹ crore) (consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	H1 FY2026 (UA)
Assets under management (AUM)	51,822	57,720	58,165
On-book gearing (x)*	5.46	6.20	5.61
AUM / tangible net-worth (TNW) (x)*	6.49	7.14	6.87
Gross non-performing assets (NPA) / gross stage 3 (%)	3.5%	4.5%	4.7%
Return on managed assets (ROMA) (%)	1.32%	0.22%	-0.43%
Capital adequacy ratio (CAR) (%)	16.3%	16.9%	17.4%

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'
**Borrowings and Tangible networth have been taken considering CCPS as 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	NA	NA	NA	Not yet placed	0.00	Withdrawn
Fund-based - LT-Term Loan	NA	-	-	27-09-2029	10699.00	CARE AA+; Stable
Issuer Rating-Issuer Ratings	NA	-	-	-	0.00	CARE AA+; Stable

NA: Not Applicable

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	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	1)CARE A1+ (22-Nov-24)	1)CARE A1+ (29-Aug-23) 2)CARE A1+	1)CARE A1+ (06-Jan-23)

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
							(04-Apr-23)	
2	Fund-based - LT-Term Loan	LT	10699.00	CARE AA+; Stable	-	1)CARE AA+; Stable (22-Nov-24)	1)CARE AA+; Stable (29-Aug-23) 2)CARE AA+; Stable (04-Apr-23)	1)CARE AA+; Stable (06-Jan-23)
3	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA+; Stable	-	1)CARE AA+; Stable (22-Nov-24)	1)CARE AA+; Stable (29-Aug-23) 2)CARE AA+; Stable (04-Apr-23)	1)CARE AA+; Stable (06-Jan-23) 2)CARE AA+; Stable (26-Dec-22)

LT: Long term; ST: 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	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT-Term Loan	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 Housing Finance Limited	Full	99.01% owned subsidiary

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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About us:
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