Hero Ecotech Limited

September 29, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	90.25 (Reduced from 120.00)	CARE BBB+; Stable / CARE A2	Reaffirmed
Long-term bank facilities	RBI	9.25	CARE BBB+; Stable	Assigned
Short-term bank facilities	RBI	35.50 (Enhanced from 15.00)	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Hero Group (herein referred to 'Hero Ecotech Limited' and 'Hero Exports' on a combined basis) factors in well-established brand name with strong market position, diversified product portfolio and client base, locational advantages and experienced promoters. Ratings also take cognisance of improvement in profitability in FY26 (refers to April 01 to March 31) despite moderation in operating income. Improvement was driven by higher realisations from government orders, a favourable order mix, improved operating efficiencies, and comfortable financial risk profile.

Ratings also positively factor comfortable financial risk profile and complete write-off of the group's exposure towards Hero Electric Vehicle Private Limited (HEVPL) by FY26, with no residual exposure remaining as on the latest date.

These strengths are partially offset by elongated operating cycle, partnership nature of business of Hero Exports and margin susceptibility to volatile raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in scale of operations, leading to improvement in profit before interest, lease rentals, depreciation and tax (PBILD) margin beyond 8.50% on a sustained basis.
- Improvement in total debt to PBILDT to below 2.00x on a sustained basis.

Negative factors

- Significant decline in revenue by over 20% adversely impacting profitability margin and liquidity.
- Deterioration in total debt to PBILDT beyond 2.5x on a sustained basis.

Analytical approach: Combined

CARE Ratings Limited (CareEdge Ratings) has combined financial and business risk profiles of Hero Ecotech Limited and Hero Exports (the Hero Group), considering both companies are engaged in a same line of business, have common promoters and strong operational and financial linkages. Entities combined are listed under Annexure-5.

Outlook: Stable

CareEdge Ratings expects the group will sustain its comfortable financial risk profile in the medium term considering adequate liquidity position. CareEdge Ratings also expects improvement in scale of operations and improvement in profitability margin.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Detailed description of key rating drivers

Key strengths

Established market position with diversified business and customer profile

The Hero Eco Group (refers to "Hero Ecotech Limited, Hero Exports, Hero Electric Vehicle Private, and Hero Eco Med Private Limited) is a multi-entity, multi-product and multi-location group with presence across bicycles, bicycle exports, electric vehicles, and healthcare products, among others. The group caters to domestic and international markets through a diversified product portfolio including kids, mountain bikers, female bikers, city bikes, athletes and established distribution network. Hero Ecotech Limited markets bicycles under the 'Kross' brand in the domestic market, while Hero Exports primarily caters to overseas markets under the 'Hero' brand.

The group also benefits from a diversified customer base comprising government departments, institutional customers, distributors, and export buyers. Government orders contributed ~47% to the group's revenue in FY26 (PY: ~61%).

Locational advantage and integrated nature of operations

Hero Ecotech Limited has its own manufacturing unit while Hero Exports has a separate unit in Ludhiana, Punjab; a key hub for the domestic bicycle industry, providing ready access to raw materials, component suppliers, and supporting infrastructure. The group has integrated manufacturing operations, with major bicycle components such as frames, forks, mudguards, and rims manufactured in-house, while other components are sourced from local vendors. Key processes including coating, painting, assembly, and packaging among others are undertaken in-house. Steel tubes and aluminium pipes constitute key raw materials, with ~90% of raw material requirements being sourced locally, supporting efficient procurement and supply chain management. Proximity to suppliers and high degree of backward integration support operational efficiencies, supply chain reliability, and cost competitiveness.

Experienced promoters

The Hero Eco Group benefits from extensive experience of its promoter, Vijay Munjal, Chairman of the group and son of Late Shri Dayanand Munjal, having over four decades of experience in the industry. Under his leadership, the group diversified its operations across multiple segments, including bicycles, electric mobility, and healthcare products. He is supported by the second generation of the promoter family, including Naveen Munjal and Gaurav Munjal, who are actively involved in the group's operations and strategic decision-making. Naveen Munjal brings over two decades of industry experience. The long-standing industry presence of promoters, and their established relationships with customers, suppliers, and other stakeholders, continues to support the group's business profile and operational performance.

Healthy profitability improvement despite moderated revenue

The group's operating income moderated to ₹700.65 crore in FY26 from ₹800.84 crore in FY25, primarily due to loss of the Jharkhand government bicycle tender to Avon Cycles and delays in allotment of West Bengal government tender due to elections. The group successfully secured and executed this tender for the preceding two years, making it a key contributor to revenue. Consequently, the loss of the tender in FY26 resulted in lower sales and reduced capacity utilisation.

Despite decline in revenue, the group's operating profitability improved substantially, with PBILDT margin increasing to 11.35% in FY26 from 3.95% in FY25. Improvement was driven by higher realisations from government orders, which increased to ~₹4,000 per bicycle in FY26 from ₹3,654 per bicycle in FY25, and a more favourable order mix. Presence of price-escalation clauses in most government contracts enabled the group to pass on a substantial portion of increase in raw material and logistics costs arising from the West Asia conflict and related supply-chain disruptions, mitigating impact of input cost volatility.

Reduction in goods and service tax (GST) rates on bicycles and bicycle parts from 5-12% with favourable foreign exchange rate movements in the year supported industry demand and improved affordability.

Comfortable financial risk profile

The group's capital structure stood comfortable with overall gearing of 0.29x as on March 31, 2026 (PY: 0.46x). The group's total debt stood at ₹76.97 crore as on March 31, 2026 (PY: ₹100.98 crore) and primarily comprised working capital borrowing of ₹35.88 crore and loan against property (LAP) of ₹41.08 crore. The group has write-off exposure towards HEVPL in the form of investments, loans, and advances of ₹57.11 crore by FY26, with no residual exposure remaining as on the latest date.

Debt coverage indicators improved moderately, with interest coverage ratio and total debt to gross cash accruals (TD/GCA) of 8.32x and 1.44x respectively in FY26 (PY: 2.81x and -4.26x respectively) owing to better profitability.

Key weaknesses

Elongated operating cycle

The group's operations remain working capital intensive, as reflected in its relatively high inventory holding and receivables levels. Adequate inventory is required to be maintained to ensure uninterrupted production and timely fulfilment of market demand. This stood at 56 days as on March 31, 2026 (PY: 50 days). The collection period remained elevated at 107 days as on March 31, 2026 (PY: 103 days), primarily due to extended receivable cycles associated with government orders, where collections generally range between 120-180 days. Export customers are typically extended higher credit periods owing to the longer turnaround time involved in shipment and realisation cycle.

While the group continues to benefit from a creditor period of ~65-90 days, which moderated over the years due to competitive pressures. Consequently, operating cycle elongated to 111 days as on March 31, 2026 (PY: 94 days).

Risk associated with partnership constitution of Hero Exports

Being a partnership firm, Hero Exports remains exposed to risks inherent to its constitution, including possibility of capital withdrawal by partners, which could adversely affect its net worth and capital structure. Partnership firms generally have relatively lower financial flexibility and restricted access to external borrowings compared to corporate entities, which may constrain financial and business scalability to some extent. There have been instances of capital withdrawal in the past, therefore, sizeable withdrawal of capital by partners resulting in a weakening of the firm's capital structure or financial risk profile, will remain a key monitorable.

Intense competition from Chinese players

Bicycle manufacturing in India is divided between two main players – small and medium enterprises (SMEs) primarily being the component manufacturer and larger players, engaged into assembly. The domestic bicycle industry remains highly competitive and fragmented, characterised by presence of several organised players and numerous small and medium-sized component manufacturers. While Punjab continues to be the key manufacturing hub for the industry, intense competition from domestic players and imported bicycles, particularly from low-cost manufacturing countries, exerts pressure on market share and pricing flexibility. The industry is also exposed to demand cyclicality, changing consumer preferences, and limited product differentiation in the mass-market segment. Consequently, manufacturers are required to continuously focus on operational efficiencies, product innovation, brand positioning, and distribution network expansion to sustain revenues and profitability.

Liquidity: Adequate

The group's liquidity profile is adequate, supported by expected GCA of ~₹50 crore against scheduled debt repayments of ₹3.95 crore in FY27 with modest utilisation of working capital limits. The group has free cash and bank balance of ₹20.73 crore and fixed deposits of ₹6.33 crore as on March 31, 2026. The group does not envisage major capex in the medium term apart from regular maintenance expenditure of ~₹2-3 crore, to be funded through internal accruals.

Assumptions/Covenants: Not applicable

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

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
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 Group" was established in 1956 by Late Shri Dayanand Munjal, who started operations in a small factory in Ludhiana, gradually establishing it into being a global brand. Over the years, the group diversified its business operations across multiple segments, including bicycle manufacturing, exports, electric mobility, and healthcare products becoming one of the most renowned and trusted brands in India and other parts of the world. The group is currently led by Vijay Munjal.

Currently, there are five companies operating under the group - Hero Ecotech Limited, Hero Exports, Hero Electric Vehicles Private Limited, A2B, and Hero Eco Med Private Limited. Through these entities, the group undertakes activities spanning bicycle manufacturing and exports, electric vehicles, and healthcare-related products, resulting in a diversified business profile.

Hero Ecotech Limited is engaged in manufacturing bicycles under the brand name "Kross" having an installed capacity of 20 lakh bicycles per annum.

Brief Financials (₹ crore) (Combined financials)	March 31, 2025 (UA)	March 31, 2026 (UA)
Total operating income	800.84	700.65
PBILDT	31.63	79.49
PAT	-29.72	46.74
Overall gearing (x)	0.46	0.29
Interest coverage (x)	2.81	8.32

A: Audited; UA; Unaudited; Note: these are latest available financial results

Basis for combining- Financial and business risk profiles of Hero Ecotech Limited and Hero Exports (Hero Group) are combined considering companies are engaged in a same line of business, have common promoters and strong operational and financial linkages.

Brief Financials (₹ crore) Standalone financials	March 31, 2025 (A)	March 31, 2026 (Prov.)
Total operating income	709.93	588.85
PBILDT	18.98	62.01
Profit after tax (PAT)	-41.62	36.25
Overall gearing (x)	0.40	0.22
Interest coverage (x)	2.09	8.32

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

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	RBI	Simple	-	-	-	-	90.25	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-BG/LC	RBI	Simple	-	-	-	-	35.50	CARE A2
Term Loan-Long Term	RBI	Simple	-	-	-	31-05-2032	9.25	CARE BBB+; Stable

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 2026-2027	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
1	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	90.25	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (04-Sep-25)	1)CARE BBB+; Negative / CARE A2 (06-Aug-24)	1)CARE A-; Negative / CARE A2+ (05-Jul-23)
2	Non-fund-based - ST-BG/LC	ST	35.50	CARE A2	-	1)CARE A2 (04-Sep-25)	1)CARE A2 (06-Aug-24)	1)CARE A2+ (05-Jul-23)
3	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	LT/ST	-	-	-	1)Withdrawn (04-Sep-25)	1)CARE BBB+; Negative / CARE A2 (06-Aug-24)	1)CARE A-; Negative / CARE A2+ (05-Jul-23)
4	Term Loan-Long Term	LT	9.25	CARE BBB+; Stable				

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Lender details

To view lender-wise details of bank facilities please click here

Annexure-5: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Hero Exports	Full	Operational and 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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