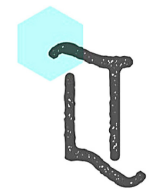


HeroFinCorp.
Finance Made Easy



LIQUID TALK

Research Analyst
MEGHA MARIUM

CURRENT PRICE : 1055 | TARGET PRICE : 1285 | TARGET PERIOD : 12 MONTHS

Incorporated : December, 1991

Sector : NDFC

Parent Company : Hero MotoCorp Limited

Type : Captive Finance Company of Hero MotoCorp

Products : Two-Wheeler Loans, Loan against Property,

SME & Commercial Loans, etc

Listing Status : Unlisted

Rating : AA+ / Stable (CRISIL & ICRA)

Hero FinCorp, an associate company of Hero MotoCorp, is an Indian Non-banking financial company (NBFC). The company is currently engaged in consumer finance businesses and commercial lending. Consumer Finance includes financing Hero MotoCorp Two Wheeler, Loyalty Customer Loans (top up loans for existing customers) and providing Loans against property. On the commercial lending side it provides Indian corporates with a wide portfolio of financing products which include working capital loans, machine loans among others.

Recent News :

- Hero MotorCorp board clears Rs. 450 Cr investment in Hero FinCorp Ltd - January 3, 2020
- Anil Ambani's Reliance Capital ends talks with Hero FinCorp on Issuer sale - September 10, 2019
- Hero FinCorp raises Rs. 1,000 Cr to expand Credit Services, reach an asset size of Rs. 35,000 Cr by 2020- September 15, 2016
- Hero FinCorp to buy Aadhar Housing from Wadhwan group for Rs. 2,700 Cr - January 28, 2019

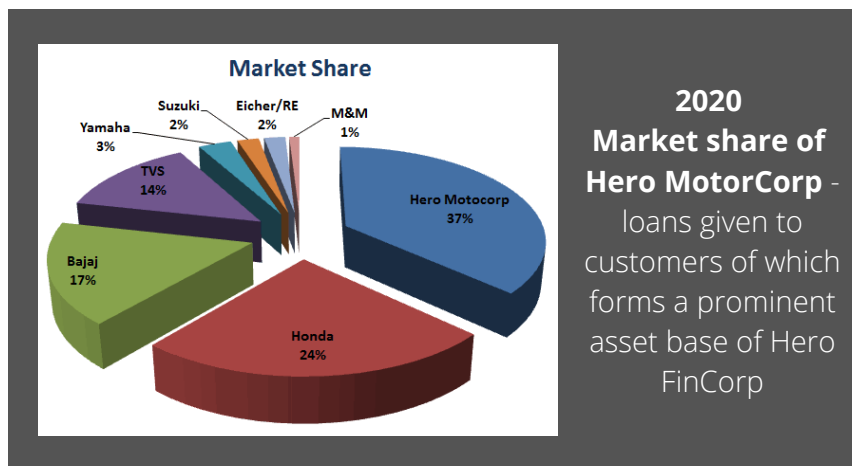
Source : Business Standard, The Economic Times



Hero FinCorp - Business Overview

In FY'20, along with the parent company Hero MotoCorp's sales surpassing that of every competitor's to become the leader by market share in two-wheeler sales, Hero FinCorp raced past competition to emerge as the top two-wheeler finance company.

During the year, the company also crossed a landmark of 5 million customers, spread its network to nearly 2000 locations and registered a growth of over 40% in loan disbursals over the previous year (FY'19).



Corporate Leadership

CEO & Jt MD - Abhimanyu Munjal

The owner of Hero FinCorp, he has over 12 yrs of experience in strategic leadership and people management.

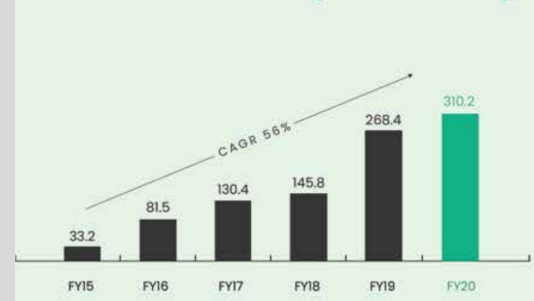
MD - Renu Munjal

The former ED of Hero MotoCorp comes with a long and rich experience in business leadership. She is also actively involved in the CSR projects of the Hero Group.

Chairman - Pawan Munjal

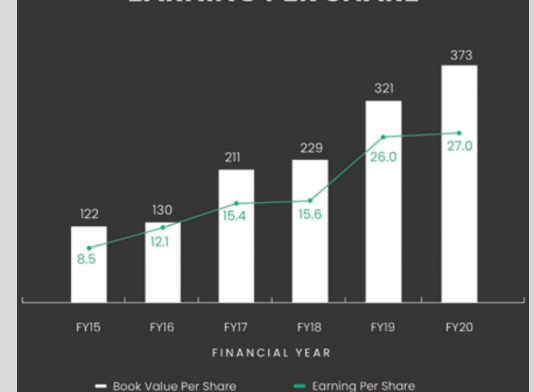
The Chairman, MD & CEO of Hero MotoCorp, he was ranked 49th of India's 50 most powerful people of 2017 list by India Today Magazine.

PROFIT AFTER TAX (INR CRORES)



Hero FinCorp has achieved an average growth rate of **46% YoY** for the last 5 financial years

BOOK VALUE PER SHARE & EARNING PER SHARE



Both Book Value per Share and EPS grew by an average of **31% YoY** for the last 3 financial years

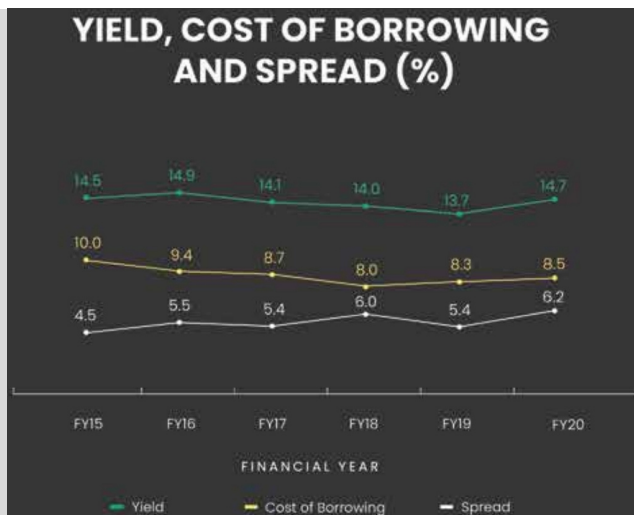
DIVIDEND PAYOUT TO PAT(%)



The Dividend payout Ratio has reduced significantly with profit retention & strategic growth centric approach

Strengths

- Strong Brand Name (Hero), PAN India network
- Well defined scalable organizational structure, based on product, territory and process knowledge
- Strong Financials with rapid growth in AUMs
- Experienced and stable senior management team
- Cost of borrowing being one of the lowest in the industry
- Strong relationships with public, private as well as foreign banks, institutions and investors
- More than 4.8 Million happy two wheeler customers
- Technology enabled disbursement process for two wheeler with minimum loan disbursal time of 10 seconds

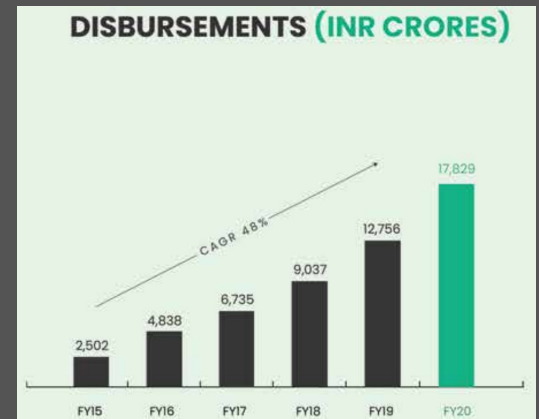


Spread of average 5.5%

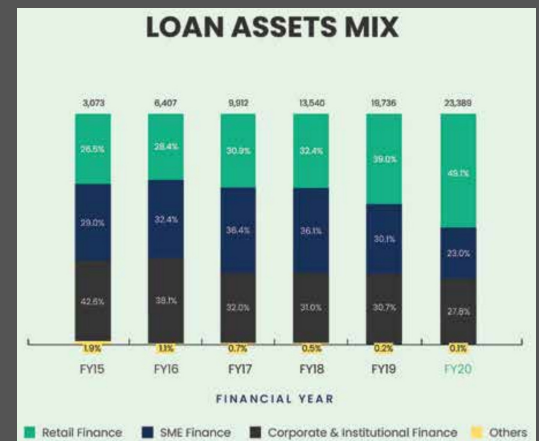
for the last 6 years. Yield percent has increased by a strong **1.7%**

Weaknesses

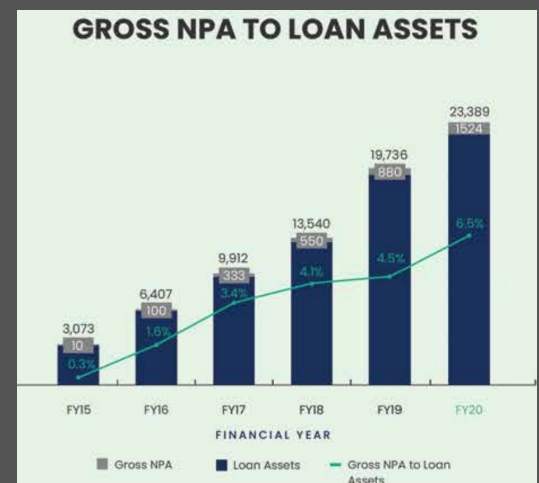
- Business growth and performance linked with macro-economic cycles
- Retail portfolios also likely to come under stress
- Securitization to face challenges amidst asset quality uncertainty
- Increasing Rate of NPA to Loan Assets



A Fast paced increase in growth rate in disbursement of Loan Assets



Diversified portfolio and customer base



Rising rate of NPAs along with the rising rate of Loan Assets

Financial Performance & Growth

- The assets have yielded stable returns over the last 6 financial years.
- The Capital Adequacy Ratio (Capital vs Risk measurement) has been consistently slightly higher - at an average of 18.5% - than the RBI's minimum requirement of 15% for the same.
- The Debt-Equity ratio maintained at an average of 4.5 :1 is well within RBI's 6:1 limit set for NBFCs

	ACTUAL			FORECASTED	
	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue (Rs. Cr)	1,691	2,492	3,663	4,066	5,977
Net Profit (Rs. Cr)	145	268	310	357	496
EPS (Rs.)	16	26	27	30	38

*Forecasted using weighted average growth rates and significant conservative approach to 2020-21 growth rates considering the Covid-19 setbacks and economic slowdown

Peer Analysis

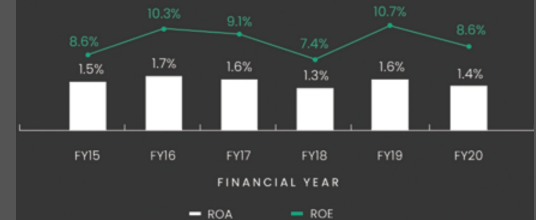
Hero FinCorp boasts a significantly higher market share and a promising customer base wrt. two-wheeler loan demands that places the company higher than most of its competitors while also giving a boost in the growth rates.

Recommendation

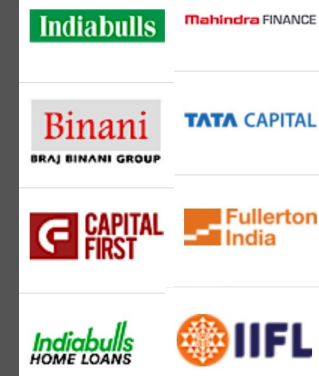
A fundamental study of the company yields results that push strongly for an investment in the company, especially anticipating an economic boom (with strong ripples in the automobile sector) once the pandemic dies down.

The recommendation is to **buy** now (as of May 9, 2021) and hold until a target of Rs. 1285 is reached within the targeted period of 12 months ending May 8, 2022.

RETURN ON EQUITY & RETURN ON ASSETS



CAPITAL ADEQUACY RATIO (%) & DEBT-EQUITY RATIO



Earning per Share

