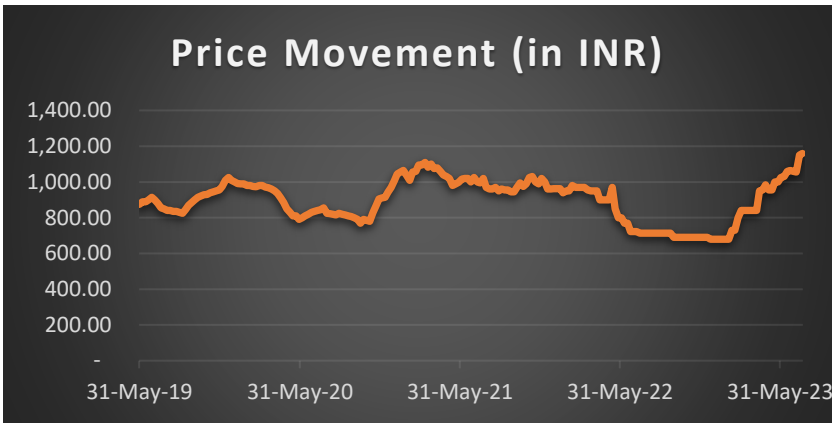
Date: July 21,2023 | CMP: INR 1,160| Market Cap : INR 14,767.57 Cr
EPS : 37.70| BVPS : INR 415.42|P/E: 32.29| Sector P/E: 20.00

Hero FinCorp Limited

COMPANY HIGHLIGHTS

CIN Number: U74899DL1991PLC046774
ISIN Number: INE957N01016
Face Value (INR): 10
Authorized Share Capital: INR 300 Cr
Paid Up Capital: INR 127.31 Cr
Outstanding Shares: 12,73,06,674
Status: Unlisted
Industry: Finance-NBFC
Business Divisions: Financing services
HQ: Vasant Vihar, Delhi
CEO & MD: Mr. Abhimanyu Munjal



KEY FINANCIAL METRICS (in ₹ Cr.)

Particulars	FY23	FY22	FY21
Net interest income	3,545.65	2,563.34	2,167.48
EBIT	2,909.17	1,424.5	1,781.38
PAT	479.95	-191.9	51.62
ROE	9.15%	-4.02%	1.04%
ROA	1.10%	-0.56%	0.17%
EPS (in ₹)	37.70	-15.07	4.05
Interest Coverage Ratio	1.34	0.85	1.04

SHAREHOLDING PATTERN

Kind of shareholders	%
Promoters	79.54%
Others	20.46%
TOTAL	**100%**

EXECUTIVE SUMMARY

Hero FinCorp started as Hero Honda FinLease Limited in December 1991. After restructuring from its parent company, Hero MotoCorp Limited, it became Hero FinCorp Limited. Today, it operates nearly 2000 retail financing touch-points within Hero MotoCorp's network and plans to expand further in services and reach.

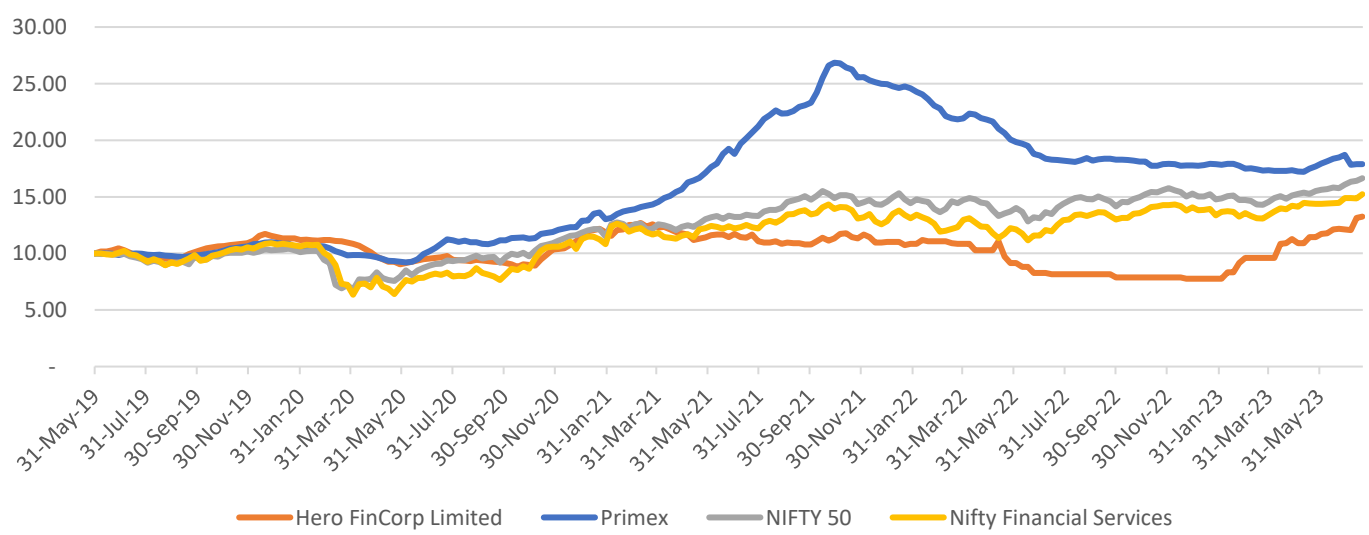
Financial Highlights

- Receivables under financing activity grew by 25% from Rs. 30,231 Cr. (FY 2021-22) to Rs. 37,800 Cr. (FY 2022-23).
- Total income increased by 34% from Rs. 4,797.66 Cr. (FY 2021-22) to Rs. 6,447.55 Cr. (FY 2022-23).
- Profit/(Loss) before tax rose by 389% from Rs. (254.03) Cr. (FY 2021-22) to Rs. 735.22Cr. (FY 2022-23).
- Profit/(Loss) after tax surged by 336% from Rs. (191.90) Cr. (FY 2021-22) to Rs. 479.95 Cr. (FY 2022-23).
- Recommended a final dividend @ 81% (Rs. 8.10 per equity share) for FY 2022-23, subject to approval at the AGM.
- Approved a dividend @ 3% on the face value of Rs. 550/- each on Class A & B Compulsorily Convertible Preference Shares (Rs. 16.5 per CCPS on a pro-rata basis).

KEY PERFORMANCE

- The increase in Hero FinCorp Profit After Tax (PAT) from (191.90) Cr in FY22 to 479.95 Cr in FY23, along with a rise in Earnings Per Share (EPS) from (15.07) to 37.70, indicates a strong positive trend in profitability.
- Total Revenue up by 34.39% to Rs. 6,447.55 Cr. In FY 2023 from Rs. 4,797.66 Cr. in FY 2022.
- Operating Revenue has increased at a 3-year CAGR of 14.38% over the last 3yr.
- Assets have increased at a 3-year CAGR of 13.15%.
- EBIT has increased at a 3-year CAGR of 17.76%.
- The interest coverage ratio improved from 0.85 in FY 22 to 1.34 in FY 23, indicating a better ability to handle interest expenses.

Price Movement



*Primex-40 is India's first live private market equity Index crafted by WWIPL to track the performance of companies in unlisted markets.

Financial Highlights

Rs. (in crores)

Particulars	Financial Year					CAGR
	2022-23	Y-o-Y Growth	2021-22	Y-o-Y Growth	2020-21	
Interest earned	5,719.60	34.84%	4,241.87	9.39%	3,877.79	13.83%
Interest expended	2,173.95	29.52%	1,678.53	-1.86%	1,710.31	8.32%
Net interest income	3,545.65	38.32%	2,563.34	18.26%	2,167.48	17.83%
Other operating income	682.00	37.28%	496.79	24.11%	400.29	19.44%
Total revenue from operations	6,401.60	35.09%	4,738.66	10.77%	4,278.08	14.38%
Other income	45.95	-22.12%	59.00	6.42%	55.44	-6.07%
Total income	6,447.55	34.39%	4,797.66	10.71%	4,333.52	14.16%
Other expenses	2,958.30	-0.85%	2,983.52	33.71%	2,231.32	9.86%
Profit before tax	735.22	389.42%	-254.03	-457.44%	71.07	117.89%
Tax expenses	255.27	510.86%	-62.13	-419.43%	19.45	135.88%
Profit after tax	479.95	350.10%	-191.90	-471.76%	51.62	110.28%
EPS	37.70	350.10%	-15.07	-471.76%	4.05	110.28%
Number of equity shares outstanding	12,73,06,674	-	12,73,06,674	-	12,73,06,674	-
Equity share capital	127.31	-	127.31	-	127.31	-
Total Networth	5,247.83	10.02%	4,769.98	-3.98%	4,967.76	1.85%
Total Assets	43,451.22	26.32%	34,399.05	14.68%	29,996.03	13.15%
Total Debt	33,360.07	19.09%	28,011.71	19.75%	23,392.45	12.56%

Valuation Ratios

Particulars	FY 2023	FY22	FY21
Price (in Rs.)	840.00	945.00	1,110.00
Price Growth (%)	-11.11%	-14.86%	15.63%
EPS (in Rs.)	37.70	-15.07	4.05
EPS Growth %	350%	-472%	-83%
Price- Earnings (x)	22.28	-62.69	273.75
BVPS (in Rs.)	412.22	374.68	390.22
BV Growth (%)	10.02%	-3.98%	11.10%
Price -BV (x)	2.04	2.52	2.84
Dividend	8.10	1.00	2.55
Dividend yield (%)	710.00%	-60.78%	-40.00%

Current Market Price is Rs. 1160 & the prices mentioned above correspond to values as of 31st March.

In FY 2023, the company's stock price declined by 11.11% with an EPS of 37.70 Rs. It suggests that market sentiment was negative, despite the company reporting a positive EPS of Rs. 37.70 . The Book Value per share increased over the years, and the dividend showed substantial fluctuations, being highest in FY23 and negative in FY22.

FINANCIAL METRICS

Particulars	FY23	FY22	FY21
Asset Quality ratio			
GNPA	4.68%	6.98%	6.23%
NNPA	2.36%	3.93%	3.74%
Profitability & Efficiency ratio			
RoE	9.15%	-4.02%	1.04%
RoA	1.10%	-0.56%	0.17%
Cost to Income	65.61%	67.76%	66.50%
Balance Sheet structure ratios			
AUM growth (in %)	25.93%	31.18%	32.13%
Equity/Assets (in %)	12.08%	13.87%	16.56%
Equity/Loans (in %)	13.16%	15.22%	18.96%
Debt equity ratio	6.36	5.87	4.71
Spread analysis			
Yield on advances	14.35%	13.53%	14.80%
Cost of funds	8.17%	7.62%	6.53%
Spread	6.18%	5.92%	8.27%
Net Interest Margin	9.96%	8.91%	8.59%

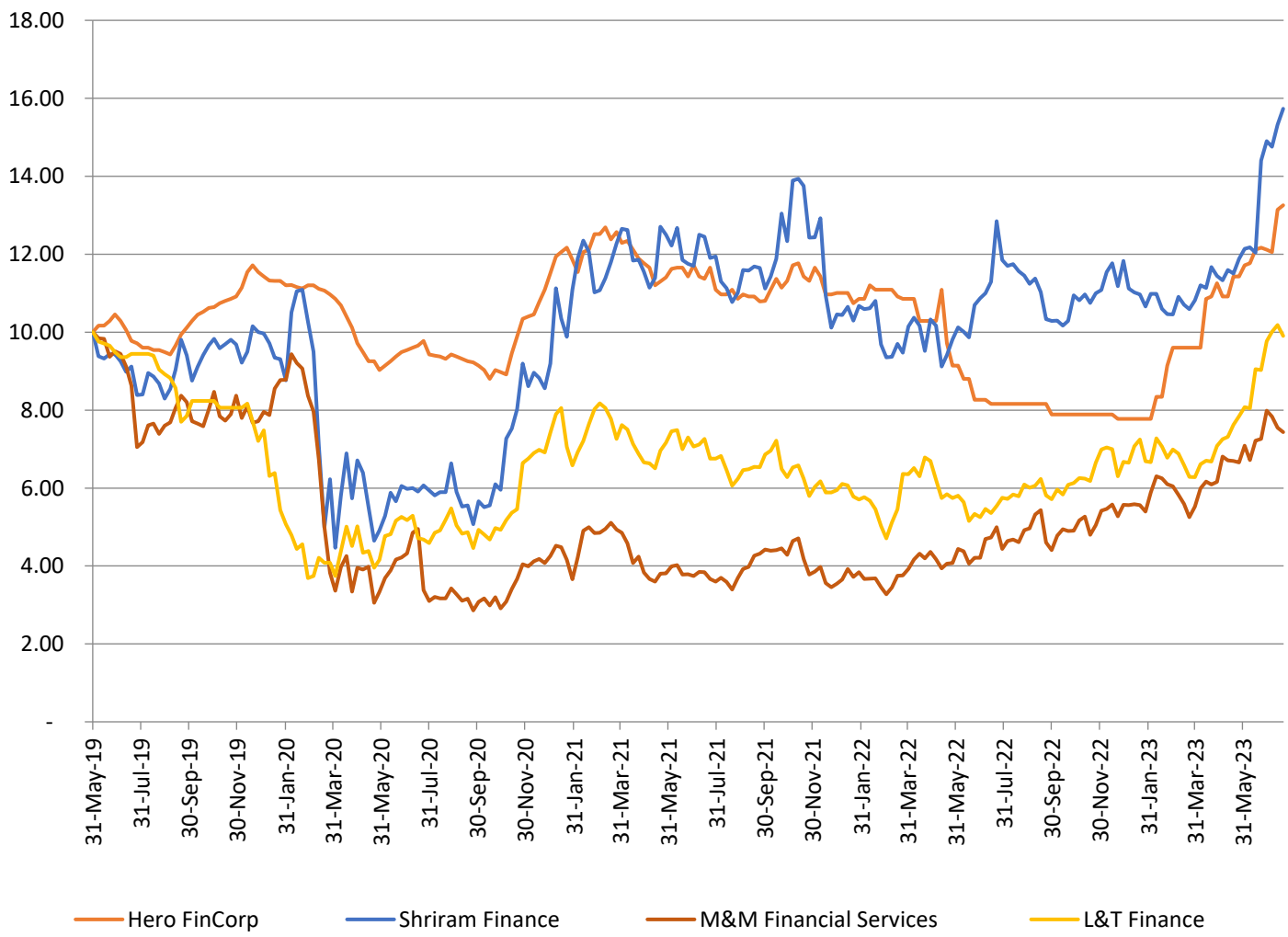
- The company's asset quality has improved in FY23, with a decline in GNPA and NNPA percentages.
- Profitability has shown improvement, with RoE and RoA rebounding in FY23.
- The company experienced steady AUM growth, but its reliance on equity funding has decreased, leading to a higher debt equity ratio.
- The spread has fluctuated, with a slight increase in FY23, while the Net Interest Margin improved.

PEER COMPARISON (CMP Dated July 21, 2023)

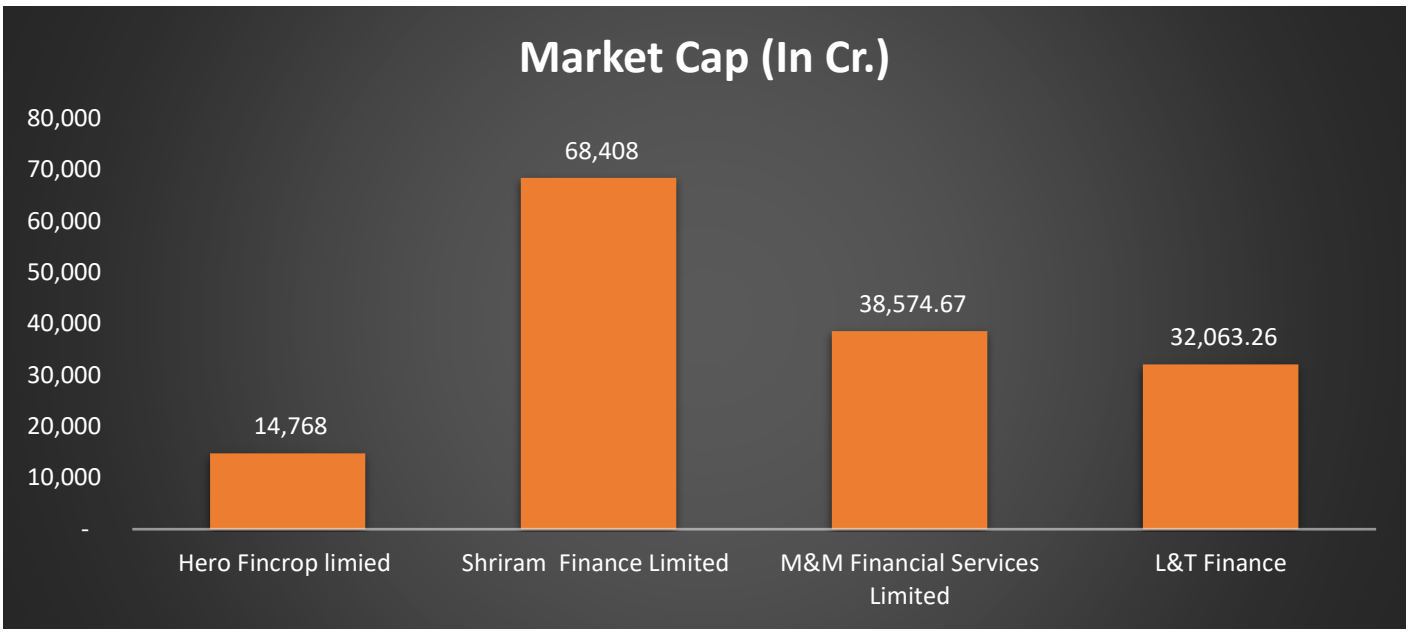
Particulars	Hero Fincrop	Shriram Finance	M&M Financial	L&T Finance
CMP* (in Rs.)	1,160.00	1,827.00	312.70	129.45
Market Cap (In Cr.)	14,767.57	68,407.86	38,574.67	32,063.26
EPS (Earnings Per Share) (in Rs.)	37.70	160.55	16.79	6.54
P/E	30.77	11.38	18.62	19.79
BVPS	412.22	1,162.12	151.60	86.92
P/BV	2.81	1.57	2.06	1.49
Return on Asset	1.10%	2.89%	1.97%	1.44%
Return on Equity	9.15%	13.82%	11.08%	7.14%
Total debt to total assets	76.78%	58.63%	68.58%	75.45%
Debt to Equity ratio	6.36	4.02	3.85	3.73
Gross NPA	2,033.15	11,382.18	3,717.10	-
Net NPA	1,024.68	5,674.91	1,507.08	-
Net profit margin	7.44%	20.06%	16.14%	11.55%
Interest Coverage Ratio	1.34	1.63	1.52	1.27

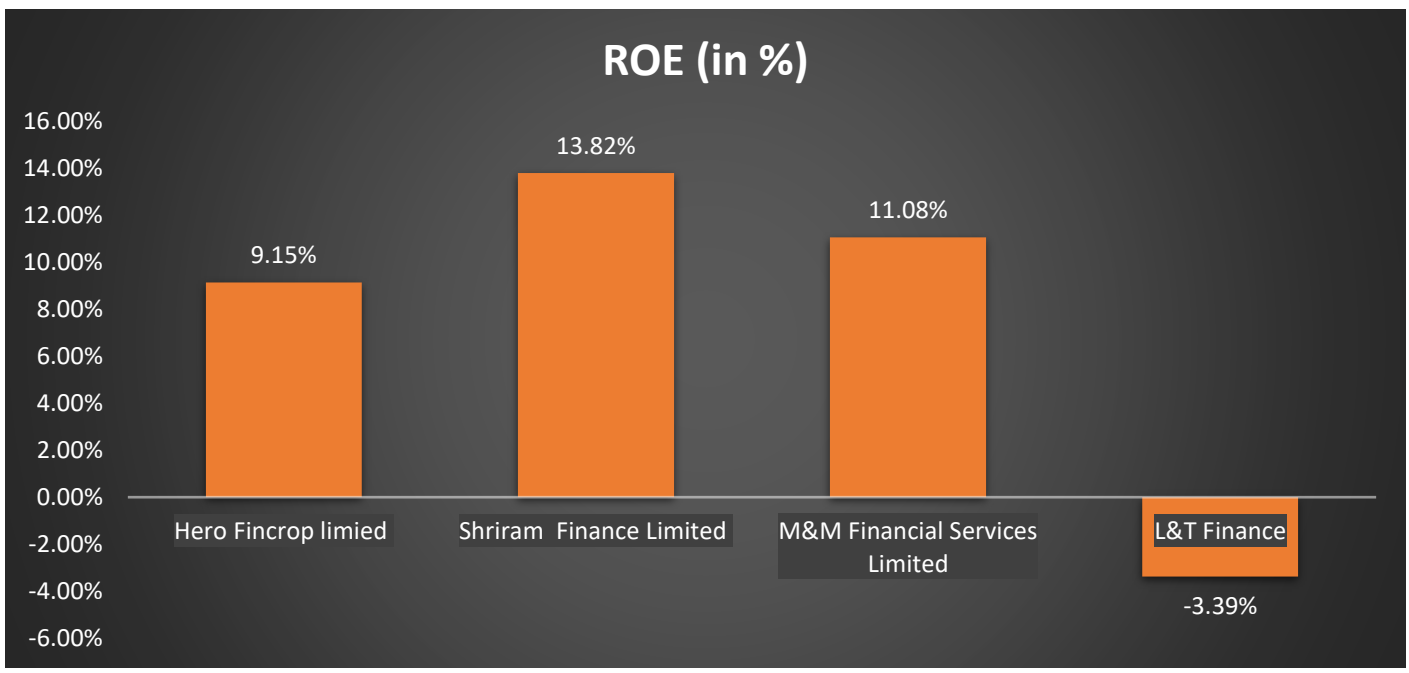
- Hero Fincorp has a competitive Net Profit Margin of 7.44% despite tough market conditions. This indicates the company's ability to manage expenses and maintain profitability.
- The company's Gross NPA of 2,033.15Cr. is significantly lower compared to its peers, demonstrating a robust asset quality and effective risk management practices.
- Hero Fincorp's impressive Return on Asset (ROA) of 1.10% showcases its ability to generate profits relative to its total assets.
- Competitive EPS and P/E Ratio: Hero Fincorp has a strong EPS of Rs. 37.70, reflecting solid earnings per share, and a P/E ratio of 30.77, indicating favorable market sentiment.
- Despite a slightly lower Interest Coverage Ratio of 1.34 compared to some peers, Hero Fincorp's ability to cover interest expenses shows adequate financial strength.

Relative Price Movement



FINANCIALS





DISCLAIMER

The figures as on 31 March 2023 have been taken from the Company's annual report.

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