TRANSPARENT CAPITAL

Hero Fincorp

1. Introduction to the Financial Services Industry

The Financial Services industry encompasses many types of businesses involved in managing money and plays a vital role in the world's economy. The industry as a whole is vast and includes companies engaged in activities such as investing, lending, insuring, securities trading and issuance, asset management, advising, accounting, and foreign exchange. The Financial services industry comprises of the following:

- Commercial banks
- Insurance companies
- Non-banking financial companies (NBFC,s)
- Asset management companies
- Broking firms and many other small financial entities.

The financial services sector in India, which accounts for 6 percent of the nation's GDP, is growing rapidly. The asset management industry in India is among the fastest growing in the world. In March 2019, corporate investors Assets Under Management (AUM) stood at Rs. 9.55 lakh crore, while HNWIs and retail investors reached Rs. 7.52 lakh crore and Rs. 6.30 lakh crore, respectively. Mutual Fund (MF) industry's AUM grew from Rs. 10.96 trillion in October 2014 to Rs. 25.48 trillion in June 2020. In 2019, investment in Indian equities by foreign portfolio investors (FPIs) touched five-year high of Rs. 101,122 crores. Investment by FPIs in India's capital market reached a net Rs. 12.52 lakh crore (US$ 177.73 billion) between FY02-21. The financial services sector is accelerating its adoption of digital technology.

But the COVID-19 has had a significant impact on the global financial markets, including India in the form of, decline in credit demand, Lower deposits and investments growth, Decline in branch-driven sales, Limited serviceability, Restricted operations, Constrained capacity, Low productivity, Cybersecurity concerns, Liquidity management challenges, Low employee productivity and morale, Limited data access and many more. The Government of India through RBI is taking important steps in order to help the sector from suffering adverse long term effects of the pandemic.

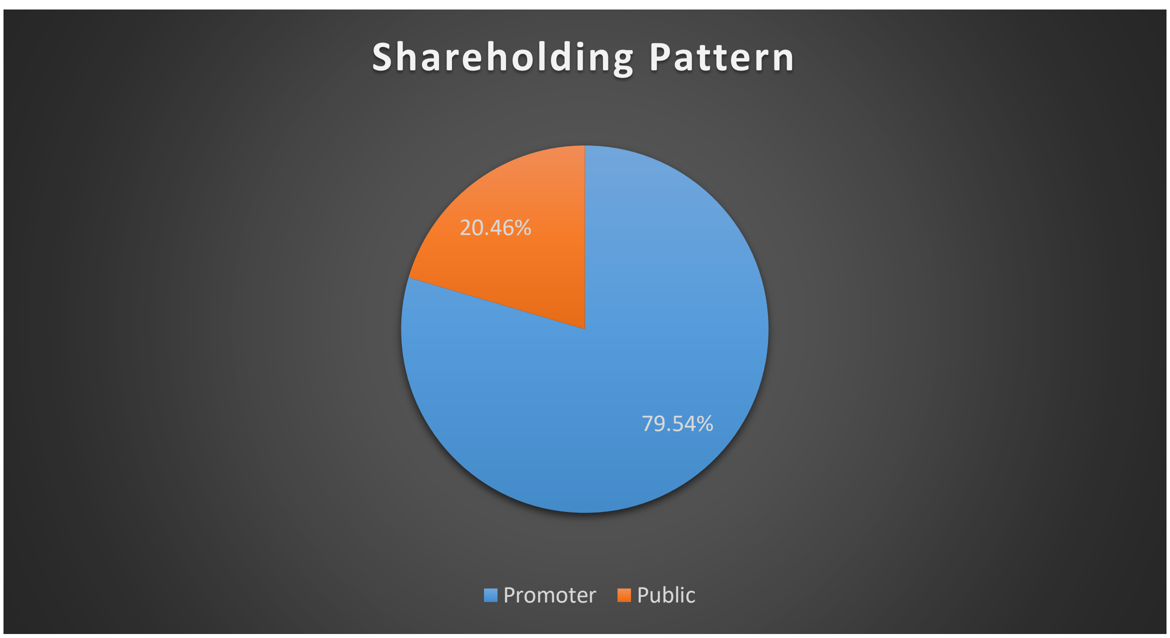
2. **About Hero Fincorp:**

Hero FinCorp Limited (HFCL) was established in 1991 as Hero Honda FinLease Limited, but its name was changed to Hero FinCorp Limited due to a change in ownership of its parent, Hero MotoCorp Limited (Formerly known as Hero Honda Motors Limited). HFCL is a financial services company that provides lending, leasing, bill discounting, and other financial services. Hero Housing Finance Limited, a wholly-owned subsidiary of HFCL, is in the business of offering housing loans. By 2020, HFCL's retail company will have 938 dealerships and services will be available at over 4000 touch points in over 1900 cities, towns, and villages. HFCL's loan against Property, SME and Emerging Corporate Business is operating out of 50 locations on the non-retail segment and processes more than 800 applications every month.

Subsidiary of Hero-Fin Corp:

Hero Housing Finance Limited ("HHFL") is the Company's only wholly-owned subsidiary. HHFL began lending operations in April of this year. It is an all-in-one housing finance company that offers customers hassle-free home loans throughout India, as well as the following products: I Home Loans, (ii) Land Loans, and so on.

3. **Shareholding Pattern of Company:**



The promoter holding is 79.54% and none of the promoter's shares are pledged which is a positive sign and increases the confidence of investors towards the company. The public holding majorly consist of Non institutions like Indian companies (0.13%) and overseas companies

(14.03%), Individuals (6.02%) and others (0.28%). The high investment on overseas companies shows a positive sign too.

Management of the Company:

- Dr. Pawan Munjal, Chairman & Director
- Mrs. Renu Munjal, MD
- Abhimanyu Munjal, Joint MD & CEO
- Mr. Sanjay Kukreja, Director

4. Financial Analysis:

(Rs. In crores)

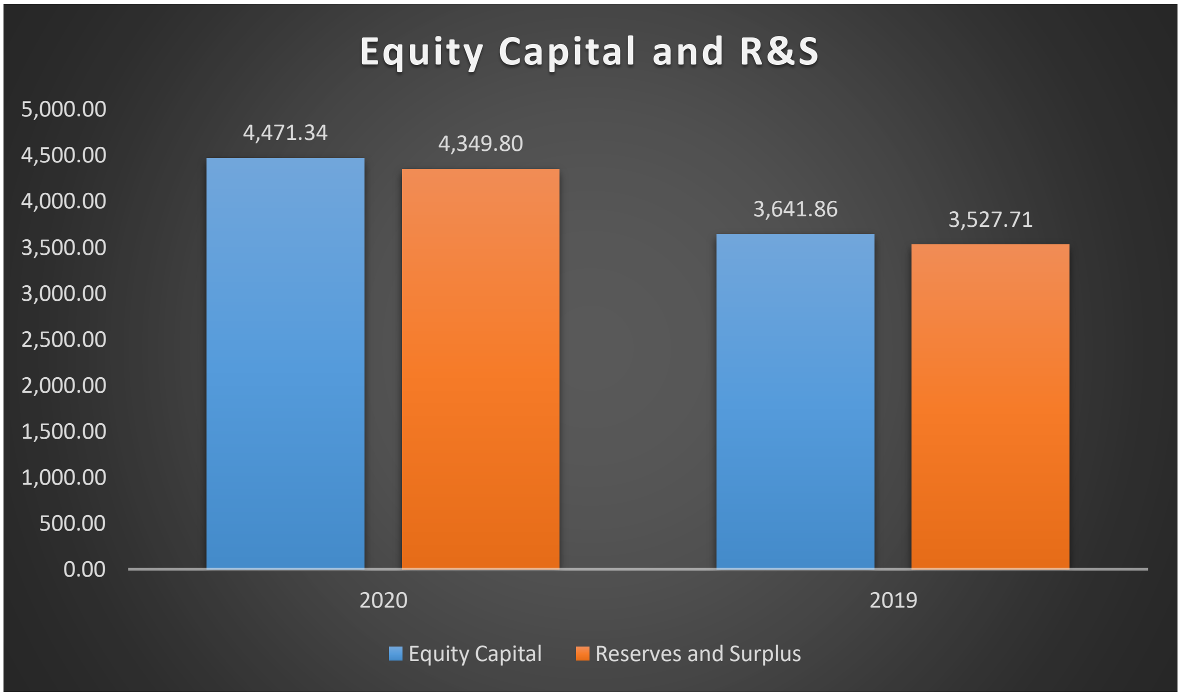
Particulars	**2020**	**2019**
Equity Capital	4,471.34	3,641.86
Reserves and Surplus	4,349.80	3,527.71
Revenue	3,799.86	2,518.47
Expenses	2,127.43	3,406.39
PAT	278.03	245.75
EPS	24.18	23.78

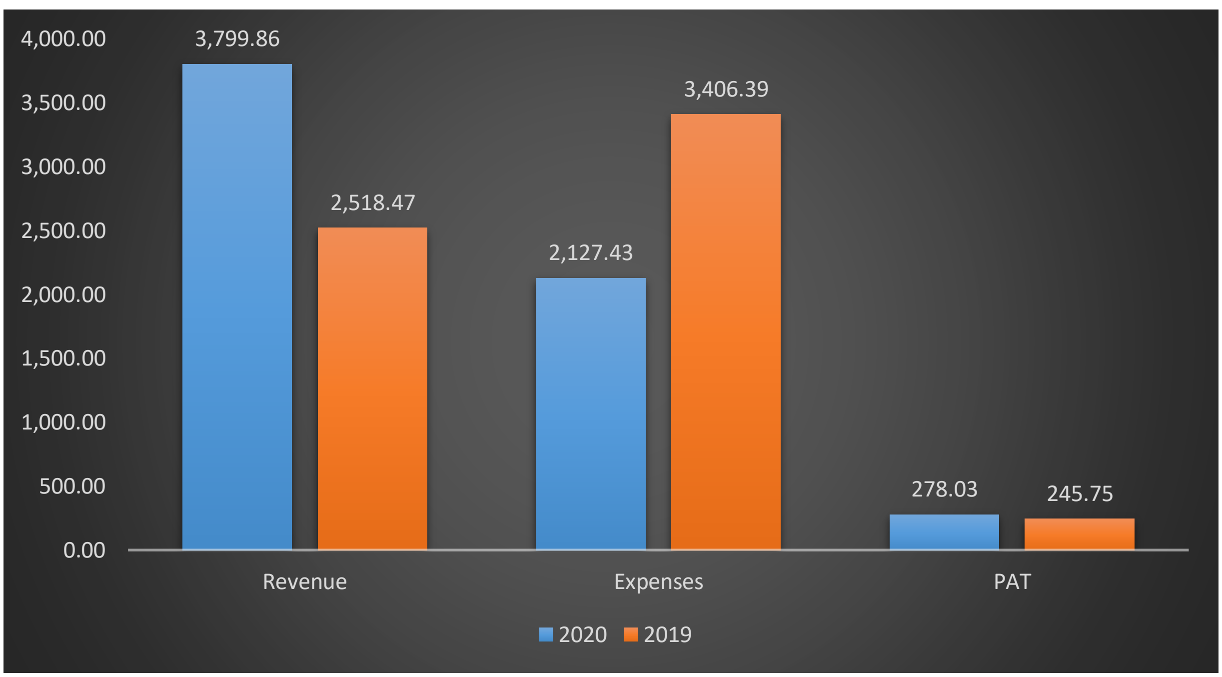
- The company's Equity capital has increased as there was conversion into fully paid up shares during period and also there was fresh issue of shares.
- The rise in reserve and surplus is a positive indicator.
- The revenue has also increased and also the expenses of the company has been reduced, this helps company to increase its bottom line.
- The EPS of the company has also increased marginally which is also a positive sign.

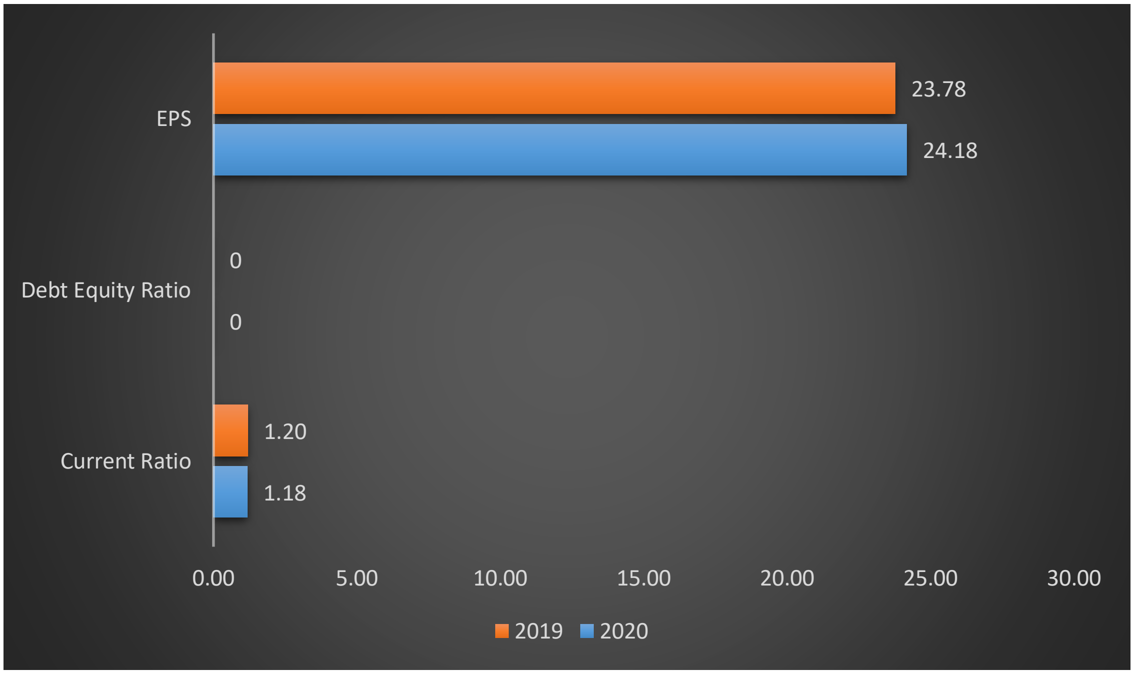
Ratio Analysis	**2020**	**2019**
Current Ratio	1.18	1.197
Debt Equity Ratio	0	0
Net profit margin	7.32%	9.76%
Return on Equity	6.22%	6.75%

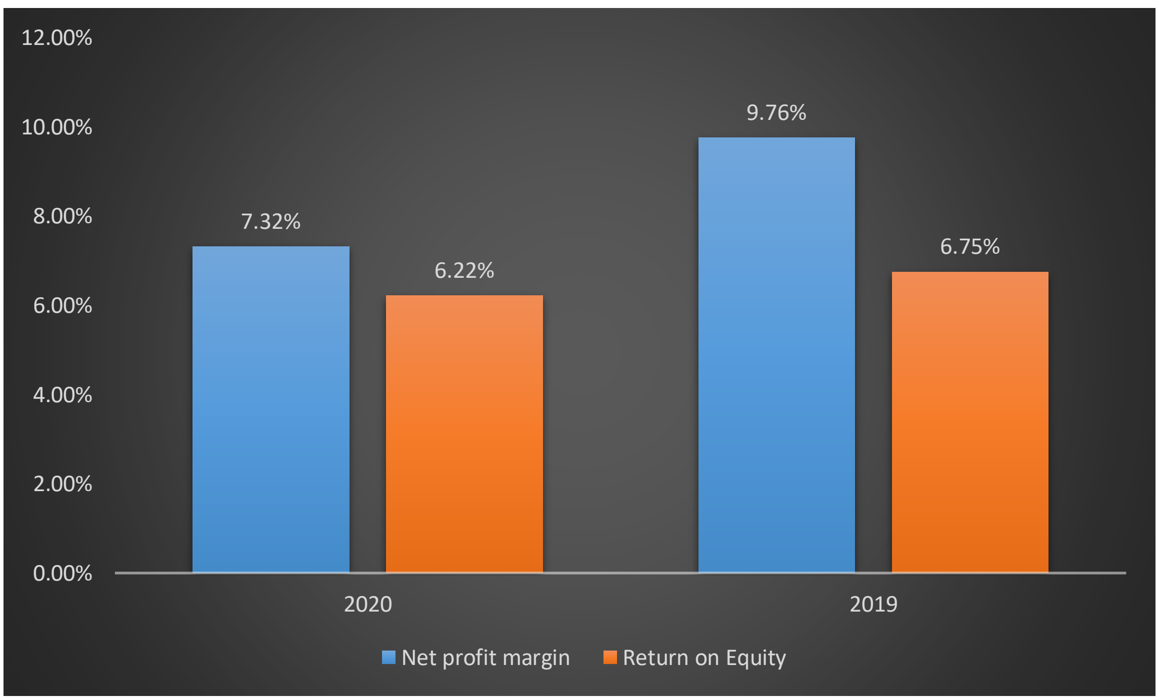
- The current ratio of the company has fallen during the period. The company has Current ratio of 1.18 in 2020, which indicates that the company has Rs. 1.18 of current assets for every Rs. 1 current liability, which means company has a good amount of liquidity and would struggle less to meet the short term obligations.
- The D/E ratio is in 0, the company is debt free company which is a positive indicator and would attract lot of investors.
- The net profit margin here has decreased and the drop in net profit margin in 2020 shows the effect of the pandemic on the company.
- The Return on Equity shows a downfall and the reason for the drop in 2020 indicates the effect of the pandemic on the company. A rising ROE suggests that the company is increasing its profit generation without needing as much capital, it also shows that the management of the company is efficiently using the capital.

5. Key Graphs and Charts:









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