

HERO SOLAR ENERGY PRIVATE LIMITED

A subsidiary of Hero Future Energy Private Limited
Part of Hero Group
Rated as A+/Stable by CRISIL

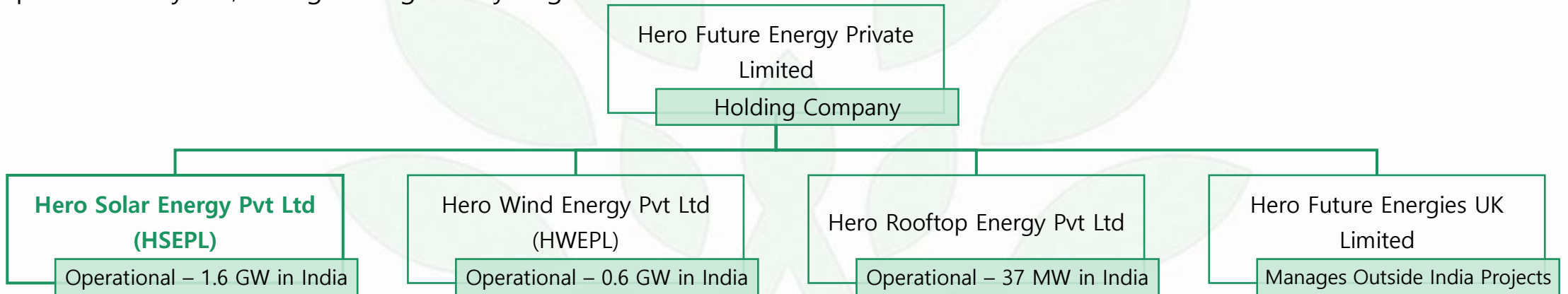
Short duration structured debt opportunity



GROUP OVERVIEW

Background of Hero Future Energy Private Limited:

Hero Future Energies Private Limited (HFEPL) is the green energy arm of Hero Group. Within HFEPL, the solar projects are housed under Hero Solar Energy Private Limited and wind projects are housed under Hero Wind Energy Private Limited. The group manages a renewable energy portfolio of 2.2 GW globally, with around 1.6 GW in solar projects, and the balance in wind projects. It has operations in key states including Rajasthan, Maharashtra, Tamil Nadu, Karnataka, Madhya Pradesh, Telangana, and Andhra Pradesh. In addition, the group has ~5.5 GW pipeline under construction/development, with expansion planned to hybrid, storage and green hydrogen.



Business Timeline:

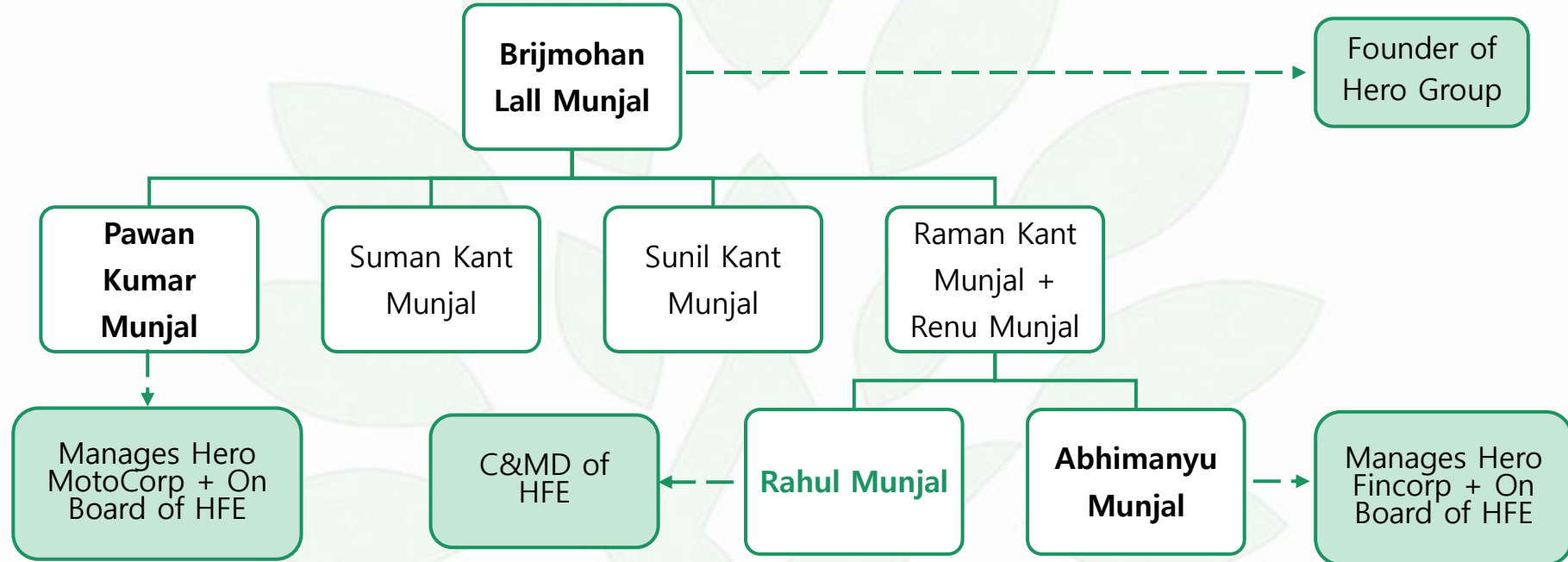


HERO FAMILY LINEAGE

Promoter:

Mr. Rahul Munjal serves as the Chairman and Managing Director and is the founding promoter of Hero Future Energies. As a third-generation entrepreneur from the Hero Group, he has been instrumental in steering the group's renewable energy venture since its inception in 2012.

MUNJAL FAMILY TREE



Board of Directors:

Of the eight directors on board:

- 4 are from Hero family (viz. Pawan Munjal, Rahul Munjal, Abhimanyu Munjal and Pooja Munjal)
- For the rest, 2 are from KKR (Ami Momaya and Ravi Thanvi) and 2 are from IFC (Sumeet Thakur and Inderbir Dhingra)



HERO SOLAR - FINANCIALS

| Particulars (in INR Cr) | Actual | | |
|----------------------------|------------------|----------|----------|
| | FY26 (Estimated) | FY25 | FY 24 |
| Operational Revenue | 1,009.86 | 54.34 | 53.74 |
| Revenue | 1,061.01 | 95.10 | 154.81 |
| EBITDA | 154.35 | 35.70 | 100.40 |
| PAT | -27.61 | -41.36 | -104.160 |
| Equity | 1,672.45 | 1,473.72 | 400.30 |
| Assets | 4,814.71 | 3,269.90 | 2,707.13 |
| Debt | 2,239.64 | 1,542.06 | 2,149.35 |
| D/E Ratio | 1.34 | 1.04 | 5.37 |

Revenue Analysis:

- Hero Solar Energy, along with its underlying SPVs have managed ~Rs 100+ Crore revenue combined in FY24 and FY25 with an operational capacity of 1.5 Gw.
- Further, ~3.1 Gw of Solar projects are underway, in way of EPC which is expects to contribute more than ~Rs 500 Crore to Hero Solar's bottom line in the next 2 years. Total EBITDA in FY27 is expected to increase by ~500% to Rs 800 Crs, resulting in sufficient buffer for the repayments of underlying facility.
- In FY25, the costs have been higher for the company owing to underlying projects in construction, resulting in huge material, overhead and manpower cost accruals.

Debt Servicing:

- The D/E ratio has improved from FY24 to FY25, on the back of equity infusion by parent entity. Rs 1765 Crores further infusion is expected in FY26 by Hero Future Energy, which will further help strengthen the balance sheet.



Hero Future Energies - Financials

| Particulars (in INR Crs) | FY2022-23 | FY2023-24 | FY2024-25 | H1FY26 |
|--------------------------|-----------|-----------|-----------|-----------|
| Revenue | 1,662.12 | 1,587.16 | 1,663.13 | 1,053.07 |
| EBITDA | 1,305.29 | 1,249.96 | 1,222.44 | 800.86 |
| Net Worth | 1,166.94 | 1,432.52 | 2,636.78 | 2,778.94 |
| Debt (Total) | 8,271.08 | 7,932.93 | 9,151.51 | 10,741.81 |
| Cash & Bank balance | 746.22 | 1,065.67 | 1,380.96 | 2,067.26 |
| Debt/Equity | 7.09x | 5.54x | 3.47x | 3.87x |

Revenue :

- Supported by long-term PPAs (Purchasing Power Agreements) with reputed buyers including state electricity distribution companies amongst others. Purchasing contracts by SECI, state DISCOMs and ready market of Hero Group companies to sell energy.

Capital and Leverage:

- Hero Future is a part of Hero Group, and backed by the Munjal family. In recent years, Hero Future Energies has raised capital by long-term marquee investors (IFC and KKR,). Net Worth at consolidated level increased from Rs 1432 Cr in FY24 to Rs 2779 Crore in H1FY26 (increase of ~100%). The group expects net worth to increase even further (HFE is in discussion to raise capital of ~ Rs 5,000 Crore via IPO).
- This consistent capital infusion has enabled HFE to deleverage its balance sheet, which had higher than industry D/E ratio. The ratio has reduced from 7x to 3.9x from FY23 to H1FY26 respectively.
- Along with capital infusion, the company is also taking steps to restructure its high-cost debt to green bonds and convertible shares.

Cash Position:

- HFE has a favourable cash and bank balance of Rs 2,067 Crore as of H1FY26, which is used to support both group subsidiaries (Hero Solar Energy and Hero Wind Energy's) sudden debt obligations and cash requirements, providing cushion to the Hero Solar Energy.



PROPOSED TRANSACTION

| | |
|--------------------------------|---|
| Issuer | Hero Solar Energy Private Limited |
| Shortfall Undertaking Provider | Hero Future Energy Private Limited (~67% held by Hero Group) |
| Total Issuance Amount | INR 100 Cr |
| Instrument | Rated, Secured, Unlisted NCD |
| Purpose | Toward support in project development |
| Tenure | 36-month Legal Maturity. Unconditional put at the end of 17 months which can be exercised at the discretion of a single bond holder without the requirement of majority consent |
| Repayment | Bullet Repayment at end of tenor |
| Interest Payment | 9.85% per annum payable quarterly |
| Yield on Offer | 11.00% |
| Security | <ul style="list-style-type: none">- Shortfall undertaking (backed by board resolution and worded to be admissible under IBC) provided by Hero Future Energies Private Limited- Hypothecation of loans and advances of inter-co loans offered by HFEPL to Hero Solar Energy Private Limited ("HSEPL") with a cover of 1.1x.- One quarter interest reserve in the form of a fixed deposit |
| Key Covenants | <ul style="list-style-type: none">- Management control shall remain with the Hero group for the guarantor and the Issuer- Mr. Rahul Munjal shall continue to remain a director of HFE Global / HFE India- Consolidated Gross Debt to EBIDTA of 8 (excluding construction debt in under construction SPVs) for Hero Future Energies consolidated- Net debt of 2,200 crore at the holding companies; holding companies will include HFEPL, Hero Solar Energy Private Limited ("HSEPL") and HWEPL- Accelerated repayment in case of rating downgrade below CRISIL A |



SHORTFALL UNDERTAKING key terms

The transaction is backed by shortfall undertaking from Hero Future Energy Private Limited (HFEPL). This shortfall is backed by board resolution which captures that HFEPL irrevocably, unconditionally and on continuous basis undertakes to infuse such amounts as may be required to meet any shortfall in the repayment of NCDs from its own sources

This shortfall undertaking is worded in a manner to be **construed as Corporate Guarantee by the HFEPL**, and be admissible in IBC. This is taken as interpretation from court verdicts for such cases, where the legal counsel believes:

- A shortfall undertaking can, in certain cases, be construed as a corporate guarantee—particularly where the language creates a clear and enforceable obligation to pay.
- In *China Development Bank v. Doha Bank Q.P.S.C.*, the Supreme Court held that a document styled as an “undertaking to pay” may qualify as financial debt under Section 5(8) of the IBC if it evidences an unequivocal obligation to pay.
- The ability to initiate IBC proceedings against the undertaking provider will depend on how the undertaking is drafted. If it includes a binding payment obligation, a clear demand mechanism, and language suggesting it is intended to secure the debt, it should qualify as financial obligation despite being drafted as an “undertaking.”
- It is to be noted that courts have delivered conflicting decisions in cases where such undertakings are framed as mere moral or contingent commitments. The key test remains substance over form, i.e., whether the undertaking, in effect, creates a binding payment obligation akin to a guarantee.

In addition, the below covenants are a part of the term sheet to further ensure alignment with shortfall undertaking:

- Management control shall remain with the Hero group during tenor of facility
- Mr. Rahul Munjal shall continue to remain a Director during tenor of facility



INVESTMENT RATIONALE

Promoter & Group backing:

- Being a part of the Hero Group (\$7+ bn conglomerate), brings strong credibility with lenders, regulators, and government agencies.
- Hero Group is the major shareholder in HFEPL with ~67% stake; investments by the group are through Bahadur Chand Investments Pvt Ltd & Brij Mohan Lal Om Prakash; viz. the two key investment entities in the group which hold ~34% of Hero MotoCorp
- This group association ensures that the company has preferential access to financing and ease of execution as compared to peers.

Revenue Visibility:

- Hero Solar Energy has operational capacity of .1.5 Gw, and capacity under construction of another 3.1 Gw, which is expected to become operational between FY26 and FY28. The same is expected to give upward push to revenue of HSE.

Capital Investments:

- Marquee global investors like IFC (World Bank) and KKR have backed Hero Future Energy with combined investments exceeding \$800 mn.
- The group is also planning to go for IPO by FY26, with expectation to raise equity of ~Rs 5,000 Crore. The company has already appointed investment bankers to take the discussion forward.
- The group infused ~Rs 1,200 Crore of equity in Hero Solar Energy in FY25, resulting in a positive balance sheet position. Further, there is expected to be additional infusion of Rs 1765 Crore and Rs 1100 Crore in FY26 and FY28 respectively in HSE.

Strong security and covenants:

- Shortfall undertaking backed by board resolution from Hero Future Energies Private Limited
- To limit net debt of 2,200 crore at Hero Future Energy group level (includes HFE and its subsidiaries)
- Management control shall remain with the Hero group for the guarantor and the Issuer
- Mr. Rahul Munjal shall continue to remain a director of HFE Global / HFE India

