August 14, 2025

Higher Education Financing Agency: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term term loan – Fund based	3,500.00	3,500.00	[ICRA]AA+ (Stable); reaffirmed
Issuer rating	-	-	[ICRA]AA+ (Stable); reaffirmed
Total	**3,500.00**	**3,500.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation factors in the steady scale-up of operations and stable asset quality performance of Higher Education Financing Agency (HEFA). The company's portfolio grew by 4.5% in FY2025 to Rs. 7,908.5 crore as of March 2025 from Rs. 7,564.5 crore as of March 2024. HEFA will continue to scale up steadily over the medium term as it anticipates further growth in sanctions, driven by expectations that higher education institutions under other ministries will also be brought under the HEFA scheme. The company's asset quality remains strong, supported by the timely receipt of Government of India (GoI) grants and an escrow mechanism with the borrowing institutions, which provides comfort regarding the collection of instalments. Non-performing assets (NPAs) were nil as of March 2025.

HEFA is a majority GoI-owned company, with demonstrated support from its shareholders in the past. The GoI has a 90.9% equity stake in the company while the rest (9.1%) is held by Canara Bank (rated [ICRA]AAA (Stable). HEFA has received sufficient capital infusions from its shareholders with the most recent being Rs. 220 crore in FY2021 (Rs. 2,310 crore in FY2020). The rating continues to factor in the experienced board and the operational support from Canara Bank. The bank supports the company in its loan appraisal process and its senior management team consists of personnel on deputation (for a period of three years) from the bank.

The rating also takes cognisance of HEFA's limited track record as it commenced operations in FY2019. The company's lending spread is expected to remain negative, given its 'not-for-profit' nature of operations. It has a modest level of external borrowings and its capital profile remains comfortable with a gearing of 0.07 times as on March 31, 2025 (0.06 times as on March 31, 2024). HEFA's liquidity profile is currently supported by the expected inflows from advances and borrowings from Canara Bank.

The Stable outlook reflects the support from the GoI, which would help keep the company's asset quality and financial performance under control.

Key rating drivers and their description

Credit strengths

Majority GoI holding; demonstrated support from stakeholders – HEFA was set up by the GoI as a joint venture (JV) with Canara Bank. As on June 30, 2025, the GoI and Canara Bank held equity stakes of 90.9% and 9.1%, respectively. The company received sufficient capital infusions from the stakeholders in the past – Rs. 4,993.8 crore during FY2019-FY2021, which strengthened its capitalisation profile. As of March 2025, HEFA's net worth stood at Rs. 7,684.9 crore, with limited borrowings outstanding. While the company is expected to raise more debt for portfolio growth over the near to medium term, ICRA expects it to continue receiving timely and adequate capital support from the stakeholders, when required. ICRA also notes that the shareholding is likely to remain with the GoI and Canara Bank in the current proportion in the near to medium term.

Experienced board and operational support from Canara Bank – HEFA's board comprises eight experienced personnel from the fields of education and banking while the Chairman is the Secretary, Ministry of Education (MoE). The board is empowered to sanction loan facilities to eligible institutions in accordance with the company's credit policy. A sub-committee of the board monitors the progress of the projects funded by HEFA on a quarterly basis and interacts with the institutes, as required, to review progress.

HEFA currently has a lean management team consisting of personnel with established banking and credit experience in Canara Bank. The bank extends operational support to the company by deputing experienced personnel as senior management for a period of three years and by conducting the credit appraisal process of the loan sanctions. The management fee paid to Canara Bank for its support services declined to 0.75% of annual disbursements in FY2025 from 1% previously. This would lead to some improvement in HEFA's operational expenses, going forward.

Focus on financing capital expenditure requirements of GoI-funded/controlled educational institutions – HEFA has been set up with the primary objective of lending to educational institutions, especially in the higher education segment. The company's target borrower profile includes premier higher education institutions such as the Indian Institute of Management (IIM), the Indian Institute of Technology (IIT), the National Institute of Technology (NIT), the Indian Institute of Science Education and Research (IISER) and other Central universities. The established brands of these institutions with steady student inflow offer strong growth prospects for HEFA, given the growing infrastructure needs of these institutions. Financing to these institutions is currently done through four windows, which have been identified with varying levels of dependence on the GoI grants for servicing the principal and interest portion of the loan, depending on their vintage and the type of institution.

Entities offered credit under Window I would have to fully service their principal obligations and service 10% of the interest obligations, with the balance to be serviced by the GoI. For loans extended under Window II, institutes would have to service 25% of the principal obligations and 10% of the interest obligations. Under Window III, 10% of the principal obligations would be serviced by the institutes, while interest will be serviced by the GoI (except in the case of technical institutions established after 2014 where 5% of the interest obligations would be serviced by the institutes). Under Window IV, both principal and interest are to be serviced by the institutes according to the new window classification.

ICRA notes that HEFA has formed committees for evaluating its future growth prospects and is planning to expand the list of eligible institutions for extending loans, going forward.

Asset quality strengthened by GoI support and escrow mechanism – HEFA's asset quality is supported by the timely receipt of GoI grants and the prompt replenishment of the escrow balance by the institutions. The company does not have any NPAs as of date. ICRA takes note of the escrow mechanism wherein the borrowing institution is required to maintain one half-yearly instalment of the principal in the escrow account at the time of sanctioning the loan (about 5% of the loan amount) and replenish the same on a half-yearly basis after drawdown. Typically, the escrow is replenished promptly. Generally, the loans extended by HEFA are serviced as per the terms, though there were marginal delays (up to 30 days largely and 30-60 days in a few instances) in servicing by some of the borrower exposures due to operational reasons.

ICRA notes that under the revised window classification, the onus of the debt servicing obligation may shift to the institution by varying extents, going forward, with a corresponding reduction in support from the GoI. However, considering the target borrower profile, which comprises GoI-funded/controlled higher education institutions, ICRA expects adequate and timely support from the GoI to these institutions in the event of stress.

Credit challenges

Limited track record, though steady scale-up of operations expected, going forward – Incorporated in FY2018, HEFA commenced lending operations during the same fiscal year. ICRA notes that the company has a limited track record of operations in relation to the loan tenor (which is typically 10-15 years). The loan portfolio increased to Rs. 7,908.5 crore in March 2025 from Rs. 2,496.7 crore in March 2019. As of June 2025, HEFA had sanctioned disbursement commitments of Rs. 21,574.4 crore. Disbursements are expected to continue growing, driven by the potential inclusion of higher education institutions under other ministries in the HEFA scheme. This is expected to support the scale-up of its portfolio, going forward.

Lending spread expected to remain negative; however, profitability stayed healthy in FY2025 – HEFA's lending spread is expected to remain negative as it is a Section 8, not-for-profit company, formed to support GoI-funded/controlled institutes in raising funds. The operating expenses largely comprise the management fee paid to Canara Bank for the services received. The company reported a provisional net profit of Rs. 363.5 crore in FY2025 (Rs. 344.8 crore in FY2024) with the return on managed assets (RoMA) remaining healthy at 4.5% vis-à-vis 4.6% in FY2024. However, HEFA's profitability would remain moderate as the leverage increases, given the negative lending spread.

Diversity in funding profile crucial for growth – As of March 2025, the company had borrowings from only one bank. However, given the sizeable disbursement commitment (Rs. 22,765.5 crore as of March 2025) as well as the planned expansion of its borrower base, HEFA would have higher funding requirements, going forward. In the past, the company had secured funding from a few other banks. It would be crucial for HEFA to diversify its funding profile to secure low-cost funds and to maintain a comfortable liquidity profile as the portfolio expands.

Liquidity position: Adequate

HEFA had an unencumbered cash and bank balance of Rs. 528.9 crore as on May 31, 2025 with debt obligations of Rs. 436.8 crore (principal and interest) between June 2025 and August 2025. During this period, average monthly collections from advances are expected to be approximately Rs. 200 crore.

Rating sensitivities

Positive factors – Significant portfolio scale-up, while maintaining comfortable capitalisation and asset quality, would be a positive. Diversification of the funding profile would also positively impact the rating.

Negative factors – Pressure on the rating could arise on an adverse change in the shareholding pattern with a significant reduction in the GoI's holding or lower-than-expected support from the GoI. Material weakening in the asset quality, affecting the earnings or capital profile, would also negatively impact the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	The rating considers HEFA's importance to the GoI as a vehicle for policy implementation and factors in timely support from the GoI
Consolidation/Standalone	Standalone

About the company

HEFA is a joint venture between the Ministry of Education, the Government of India (GoI) and Canara Bank. It was established in 2017 with the objective of financing the capital asset creation of Central Government funded/controlled educational institutions. At present, the company has been constituted as 'not-for-profit' under Section 8 of the Companies Act, 2013 and is registered as a non-banking financial company (NBFC) with the Reserve Bank of India (RBI). HEFA reported a profit after tax (PAT) of Rs. 363.5 crore (provisional) in FY2025 on a loan book of Rs. 7,908.5 crore (provisional) as of March 2025. Its net worth stood at Rs. 7,684.9 crore (provisional) as of March 2025.

Key financial indicators

HEFA	FY2024	FY2025*
Total income	396.7	437.1
PAT	344.8	363.5
Total managed assets	7,855.5	8,314.3
Return on managed assets	4.6%	4.5%
Managed gearing (times)	0.1	0.1
Gross stage 3	-	-
CRAR	59.97%	58.99%

*Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore; *Provisional numbers*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	August 14, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term term loan – Fund based	Long term	3,500.00	[ICRA]AA+ (Stable)	May 17, 2024	[ICRA] AA+ (Stable)	-	-	Mar 09, 2023	[ICRA] AA (Stable)
Issuer rating	Long term	0.00	[ICRA]AA+ (Stable)	May 17, 2024	[ICRA] AA+ (Stable)	-	-	Mar 09, 2023	[ICRA] AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term term loan – Fund based	Simple
Issuer rating	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	**Issuer rating**	NA	NA	NA	NA	[ICRA]AA+ (Stable)
NA	**Term loan**	Sep 2023	8.3%	Sep 2033	500.00	[ICRA]AA+ (Stable)
NA	**Term loan**	Jun 2024	8.1%	Jun 2034	500.00	[ICRA]AA+ (Stable)
NA	**Term loan – Unallocated**	NA	NA	NA	2,500.00	[ICRA]AA+ (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M. Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Srinivasan Rangaswamy
+91 44 4596 4315
r.srinivasan@icraindia.com

Vansh Madaan
+91 44 4596 4309
vansh.madaan@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

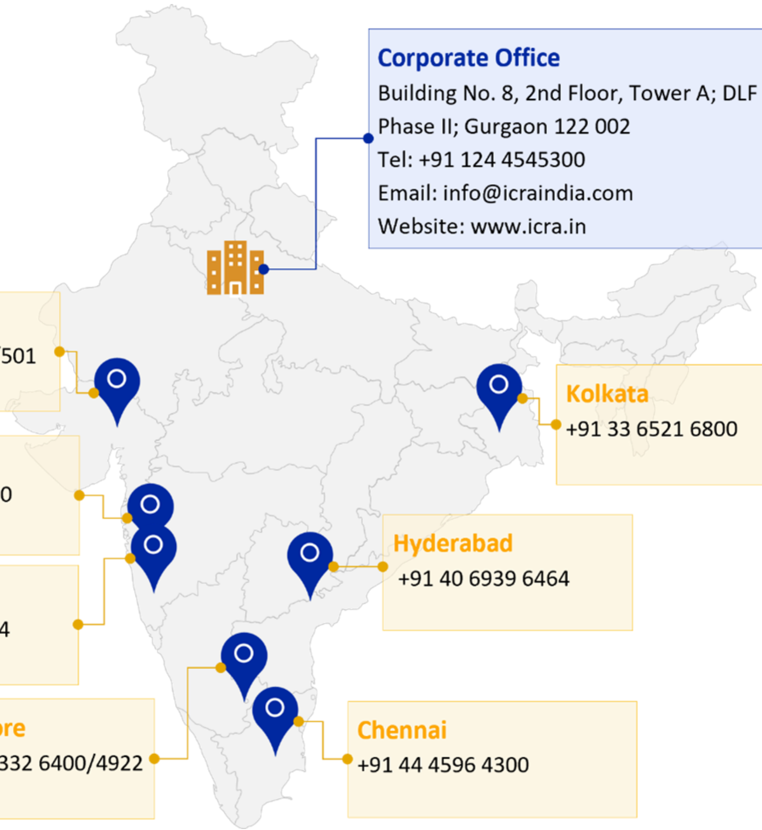
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Ahmedabad
+91 79 4027 1500/501

Mumbai
+91 22 6169 3300

Pune
+91 20 2556 1194

Bangalore
+91 80 4332 6400/4922 5500

Kolkata
+91 33 6521 6800

Hyderabad
+91 40 6939 6464

Chennai
+91 44 4596 4300