

July 09, 2026

North Eastern Development Finance Corporation Limited: Rating reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based – Others	200.00	600.00	[ICRA]A+ (Stable); reaffirmed/assigned for enhanced amount
Total	200.00	600.00	

*Instrument details are provided in Annexure II

Rationale

The rating factors in North Eastern Development Finance Corporation Limited's (NEDFi) established role as a specialised development finance institution for the North Eastern Region (NER) and its position as a nodal agency for routing various Government of India (GoI) incentives and development interventions in this region. The rating also draws comfort from NEDFi's strong institutional shareholding and its governance profile, marked by representation from key shareholder institutions, the Ministry of Development of North Eastern Region (MDoNER) and state governments.

The company has an established track record of operating in the NER and plays a key developmental role across micro, small and medium enterprise (MSME) lending, and consultancy and advisory services, which have supported its underwriting familiarity and local relationships across the region. Further comfort is derived from the funding support from the GoI in the form of interest-free loans, which are expected to continue, thereby providing stability to the company's funding profile and moderating its blended cost of funds.

The rating also takes into account NEDFi's comfortable capitalisation and healthy profitability. The company's net worth stood at Rs. 1,336¹ crore against the loan book of Rs. 2,270 crore as on March 31, 2026, with a gearing of 0.8 times, providing adequate headroom for growth. While the gearing is expected to increase from the current level as NEDFi gradually raises incremental external borrowings, the pace of growth is likely to remain calibrated. The leverage is projected to remain below 2.0 times over the medium term. The healthy profitability is supported by stable net interest margins (NIMs), aided by low gearing and interest-free GoI loans.

The rating is constrained by NEDFi's exposure to the greenfield and relatively higher-risk project lending segments, given the meaningful share of project loans, including early-stage exposures, in its portfolio. While its reported asset quality remains comfortable, with gross non-performing advances (GNPAs) and net NPAs (NNPAs) at 2.1% and 1.1% as on December 31, 2025, the high share of portfolio under principal moratorium makes the sustainability of the current asset quality profile across credit cycles a key monitorable. However, ICRA draws comfort from the company's long operating track record and security available in the underlying projects. The rating is also constrained by the modest scale of operations and geographic concentration, given the region-specific mandate. In addition, while the funding profile is supported by loans from the GoI, NEDFi's ability to further broaden its lender base and raise resources at competitive rates will remain important for supporting future growth while maintaining profitability.

The Stable outlook reflects ICRA's expectation that NEDFi will continue to benefit from its established role in the NER, continued funding support from the GoI, comfortable capitalisation and healthy profitability, while maintaining its asset quality indicators as it gradually scales up operations.

¹ The numbers, as on March 31, 2026, are as per the Structural Liquidity Statement (SLS)

Key rating drivers and their description

Credit strengths

Nodal development finance institution for NER with strong institutional oversight and policy linkages – NEDFi benefits from its established role as a specialised development finance institution for the NER and its position as a nodal agency for routing various GoI incentives and development interventions in the region. The shareholding profile, comprising institutions such as IDBI Bank, Life Insurance Corporation (LIC), State Bank of India (SBI), Small Industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD), ICICI Bank, Specified Undertaking of Unit Trust of India (SUUTI), General Insurance Corporation of India (GIC) and its subsidiaries, supports the company's institutional standing. Its governance structure provides comfort, with board representation from key shareholder institutions (IDBI, LIC and SBI), MDONER and state governments, supporting policy alignment and oversight over critical strategic decisions. While NEDFi is currently classified as an associate of IDBI Bank, which had a 25% stake as on March 31, 2026, the shareholding is expected to decline below 20% over the near-to-medium term.

NEDFi undertakes a broader set of development finance activities across the NER, including lending to MSMEs and larger enterprises, microfinance lending through microfinance institutions (MFIs)/non-governmental organisations (NGOs), direct microlending through the business correspondent (BC) model, and consultancy and advisory services for central and state governments. This diversified developmental role, along with its long-standing presence in the NER, has enabled it to build underwriting familiarity and local relationships across the region.

NEDFi also benefits from continued funding support from the GoI in the form of interest-free loans, which remain an important source of funding and support its developmental mandate. The outstanding GoI interest-free loans stood at Rs. 765 crore as on March 31, 2026 (68% of overall borrowings), remaining broadly stable over the last few years, with annual repayments largely offset by fresh inflows. The company has received approval for Rs. 302.5 crore of loans from the GoI, which will be disbursed over the next 5 years term (FY2027-FY2031). ICRA expects such GoI support to continue, providing stability to NEDFi's funding profile and helping moderate its blended cost of funds.

Comfortable capitalisation and healthy profitability profile – NEDFi's capitalisation remains comfortable with modest leverage, supported by a sizeable net worth relative to the loan book. As on March 31, 2026, the net worth was Rs. 1,336 crore against the loan book of Rs. 2,270 crore, with a gearing of 0.8 times, providing adequate headroom for growth (gearing of 0.8 times as on March 31, 2025). While the gearing is expected to increase from the current level as NEDFi expands its operations, the pace of growth is likely to remain calibrated. Supported by internal accruals, ICRA expects the leverage to remain below 2.0 times over the medium term.

Profitability has remained healthy over the last few years, with strong NIMs supported by interest-free borrowings from the GoI and lower gearing, coupled with recoveries/writebacks from legacy stressed assets. NEDFi reported a profit after tax (PAT) of Rs. 96 crore in FY2025, translating to a return on assets (RoA) of 3.9% and return on net worth (RoNW) of 7.7% (4.5% and 8.7% respectively, in FY2024)². While margins are likely to moderate over time with the increase in interest-bearing liabilities, profitability is expected to remain supported by the presence of interest-free GoI loans and manageable credit costs.

Credit challenges

Exposure to greenfield and relatively higher-risk project lending segments – NEDFi's assets under management (AUM) stood at Rs. 2,270 crore as on March 31, 2026 with a sizeable share of project loans. Project loans include greenfield and early-stage exposures, which are inherently exposed to higher implementation, stabilisation and cash flow risks vis-à-vis seasoned operating assets. The borrower base includes MSMEs and first-generation entrepreneurs in underpenetrated geographies, which adds to execution and credit risks. While this risk profile is partly aligned with NEDFi's developmental mandate, it remains a structural credit challenge. However, ICRA draws comfort from the company's long operating track record and security available in the underlying projects.

² NEDFi reported PBT of Rs. 61 crore in H1 FY2026 as per provisional numbers

The company’s asset quality profile has improved over time, with GNPA’s declining to 2.1% as on December 31, 2025 from the elevated level of 12.3% as on March 31, 2020, supported by limited slippages with tighter underwriting, write-offs, recoveries and resolution of legacy stress. However, given that a sizeable portion of the portfolio is under principal moratorium, the sustainability of the current asset quality profile through credit cycles will remain a key monitorable.

Modest scale and geographic concentration, given region-specific mandate – NEDFi’s scale of operations, while improving, remains modest. Its growth potential remains linked to the economic profile and project pipeline of the NER, given its mandate to lend only within the eight northeastern states. The portfolio also remains geographically concentrated, with Assam accounting for the largest share of annual disbursements and AUM. On a cumulative basis for FY2021-FY2025, Assam accounted for 61.6% of total disbursements while the top 3 states accounted for 79.6%. While such concentration is partly a function of the regional mandate and the relatively higher level of economic activity in Assam, it limits geographic diversification and exposes NEDFi to state-specific economic and operating environment risks.

Funding profile will need further diversification as scale increases – NEDFi’s funding profile has historically been supported by interest-free GoI borrowings, which have provided stability and helped contain the blended cost of funds. However, with the increase in disbursements in recent years, the company has tied up funding with institutions such as SBI, UCO Bank, SIDBI and Bank of Baroda. While interest-free GoI loans are expected to remain a stable and important component of the liability profile, incremental funding requirements are expected to be met through external borrowings. NEDFi’s ability to diversify its liability profile and raise resources at competitive rates will remain important for supporting future growth while preserving profitability.

Liquidity position: Strong

As on March 31, 2026, NEDFi had unencumbered cash and cash equivalents of around Rs. 130 crore and undrawn bank line limits of Rs. 270 crore along with collections of Rs. 256 crore due over the next six months against debt obligations of Rs. 107 crore over the same time frame. As on March 31, 2026, the company had positive cumulative mismatches in the less-than-1-year buckets.

Rating sensitivities

Positive factors – A sustained increase in the scale of operations, while maintaining healthy profitability, prudent asset quality and a diversified borrowing profile, could have a positive impact on the rating.

Negative factors – A material deterioration in the asset quality or weakening of profitability, with RoMA falling below 2.0% on a sustained basis, or an increase in the gearing beyond 3.0 times could exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has carried out a consolidated analysis of NEDFi and its subsidiaries (enlisted in Annexure III).

About the company

North Eastern Development Finance Corporation Limited (NEDFi) is notified as a public financial institution under Section 4A of the Companies Act, 1956 and has been registered with the Reserve Bank of India (RBI) as a non-banking financial company (NBFC) since 2002. It is governed by a board of directors comprising representatives from its shareholder institutions, the MDoNER, various state governments, and eminent individuals from the NER and other parts of the country with experience in industry, economics, finance and management.

NEDFi extends financial assistance to micro, small, medium and large enterprises for the establishment of industrial, infrastructure and agri-allied projects in the northeastern region of India and also provides microfinance support through

MFIs/NGOs. In addition to financing activities, it offers consultancy and advisory services to state governments, private sector entities and other agencies. NEDFi's promoters include IDBI Bank, LIC, SBI, SIDBI, NABARD, ICICI Bank, the administrator of SUUTI, and GIC and its subsidiaries.

Key financial indicators

NEDFi (consolidated)	FY2024	FY2025
	Audited	Audited
Total income	228	255
PAT	101	96
Total managed assets	2,383	2,581
Return on managed assets	4.5%	3.9%
Reported gearing (times)	0.7	0.8
Gross stage 3	3.1%	1.9%
CRAR	56.0%	53.7%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2027)		Chronology of rating history for the past 3 years							
		Amount rated (Rs. crore)	Jul-09-2026	FY2027		FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term fund based – Others	Long term	600	[ICRA]A+ (Stable)	Jul-01-2026	[ICRA]A+ (Stable)	-	-	-	-	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. no.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ Fis (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, Fis	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, Fis	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI

16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)
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- (*) Includes securitisation transactions involving assignee payout, acquirer's payout.
 (\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
 (%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. no.	Activity name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund based – Others	Simple

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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term fund based – Others	-	-	-	600.00	[ICRA]A+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure III: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
NEDFi Trustee Limited	98.80%	Full consolidation
NEDFi Venture Capital Limited	98.80%	Full consolidation

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