

October 05, 2026

Higher Education Financing Agency: Rating reaffirmed

Summary of rating action

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

*Instrument details are provided in Annexure I

[#]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

*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

Rationale

The rating reaffirmation continues to reflect Higher Education Financing Agency's (HEFA) sovereign ownership, support from its shareholders in the past and its stable asset quality performance. The Government of India (GoI) holds a 90.9% equity stake in the company while the balance (9.1%) is held by Canara Bank {rated [ICRA]AAA (Stable)}. HEFA has received sufficient capital infusions from its shareholders in the past. Its net worth and gearing were strong at Rs. 8,064.3 crore and 0.05 times as of March 2026. The rating continues to factor in the experienced board and operational support from Canara Bank. The bank helps the company in its loan appraisal process. Moreover, 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 moderate track record, following the commencement of operations in FY2019. The company's portfolio declined by 1.5% in FY2026 to Rs. 7,777.8 crore as of March 2026 from Rs. 7,896.5 crore as of March 2025 on account of delays in the extension of the earlier financing schemes, which were due for expiry by March 2026. The company subsequently received a temporary extension of these schemes till September 2026. Further, as on date, the GoI has approved the renewal of the financing schemes till March 2029. ICRA anticipates an improvement in sanctions and disbursements following this renewal, which would support HEFA in continuing to scale up over the near-to-medium term.

The company's asset quality remains strong, supported by the timely receipt of 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 2026. HEFA's lending spread has remained negative, given its 'not-for-profit' nature of operations. However, its net profitability continued to be healthy, aided by the modest level of external borrowings and low operational/credit costs.

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, 2026, the GoI and Canara Bank held equity stakes of 90.9% and 9.1%, respectively. The company has 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 2026, HEFA's net worth stood at Rs. 8,064.3 crore, with limited borrowings outstanding. While the company is expected to raise more debt as it scales up its portfolio, 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 seven 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 (1.0% in FY2024). Given that such an arrangement for support services from Canara Bank is expected to continue, it would aid HEFA's lean operational cost structure, going forward as well.

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 GoI grants for servicing the principal and interest portions of the loan, depending on their vintage and the type of institution. The scheme, implemented from November 2023, was originally valid up to March 2026. Its validity was temporarily extended until September 2026. Subsequently, the Government approved a further extension of the scheme up to March 2029 without any change in the existing framework and repayment mechanism.

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 continues to evaluate its future growth prospects and is planning to expand the list of eligible institutions, including institutions under ministries other than the MoE, for extending loans. If the same fructifies, this could diversify and expand its borrower base over the medium term.

Asset quality strengthened by Gol support and escrow mechanism – HEFA’s asset quality is supported by the timely receipt of Gol 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 slight delays (up to 30 days largely and 30-60 days in a few instances) in servicing by some of the exposures due to operational reasons.

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

Credit challenges

Moderate track record and scaleup of loan portfolio – Incorporated in FY2018, HEFA commenced lending operations during the same fiscal year. ICRA notes that the company has a moderate track record of operations in relation to the loan tenor (which is typically 10-15 years). The loan portfolio increased to Rs. 7,777.8 crore in March 2026 from Rs. 2,496.0 crore in March 2019. As of June 2026, HEFA had sanctioned disbursement commitments of Rs. 12,368.7 crore. Sanctions and disbursements had moderated in FY2026 and Q1 FY2027 on account of delays in the renewal of the scheme. However, the management expects growth momentum to improve materially going forward, following the recent approval of the renewed framework (without any changes to the financing windows) till March 2029. Further, the company is envisaging the potential inclusion of higher education institutions under other ministries in the HEFA scheme. If the same fructifies, it shall support the scaleup of its loan portfolio.

Lending spread expected to remain negative, though net profitability continues to be healthy – HEFA’s lending spread is expected to remain negative as it is a Section 8, not-for-profit company, formed to support Gol-funded/controlled institutes in raising funds. Operating expenses largely comprise the management fee paid to Canara Bank for services received. The company reported a net profit of Rs. 379.5 crore in FY2026 (Rs. 363.5 crore in FY2025) with the return on managed assets (RoMA) remaining healthy at 4.5%. However, HEFA’s profitability would moderate as the leverage increases, given the negative lending spread.

Diversity in funding profile crucial for growth – As of March 2026, the company had borrowings from only one bank. However, given the sizeable disbursement commitment (Rs. 12,368.7 crore as of June 2026) as well as the planned expansion of its borrower base, HEFA is expected to 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. 725.9 crore as on June 30, 2026, with debt obligations of Rs. 31.3 crore (principal and interest) between June 2026 and August 2026. During this period, average monthly collections from advances are expected to be approximately Rs. 200 crore. The liquidity profile is further supported by committed bank lines and is likely to remain adequate for future disbursement requirements, even as sanction and disbursement activity picks up with the renewal of the scheme.

Rating sensitivities

Positive factors – Significant portfolio scaleup, 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 Gol's holding or lower-than-expected support from the Gol. 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, HEFA 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). It reported a profit after tax (PAT) of Rs. 379.5 crore in FY2026 on a loan book of Rs. 7,777.8 crore as of March 2026. Its net worth stood at Rs. 8,064.3 crore as of March 2026.

Key financial indicators

HEFA	FY2025	FY2026
Total income	437.1	452.4
PAT	363.5	379.5
Total managed assets	8,314.3	8,496.4
Return on managed assets	4.5%	4.5%
Managed gearing (times)	0.07	0.05
Gross stage 3	-	-
CRAR	59.0%	57.3%

Source: Company, ICRA Research; All ratios are 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	Current rating (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	October 05, 2026	Date	Rating	Date	Rating	Date	Rating
Long-term term loan – Fund based	Long term	3,500.00	[ICRA]AA+ (Stable)	August 14, 2025	[ICRA] AA+ (Stable)	May 17, 2024	[ICRA] AA+ (Stable)	-	-
Issuer rating	Long term	0.00	[ICRA]AA+ (Stable)	August 14, 2025	[ICRA] AA+ (Stable)	May 17, 2024	[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	Financial sector regulator [#]
NA	Issuer rating	NA	NA	NA	NA	[ICRA]AA+ (Stable)	~*
NA	Term loan	Sep 2023	8.6%	Sep 2033	500.00	[ICRA]AA+ (Stable)	RBI
NA	Term loan	Jun 2024	8.4%	Jun 2034	500.00	[ICRA]AA+ (Stable)	RBI
NA	Term loan – Unallocated	NA	NA	NA	2,500.00	[ICRA]AA+ (Stable)	RBI

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

Annexure II: List of entities considered for consolidated analysis

Not applicable

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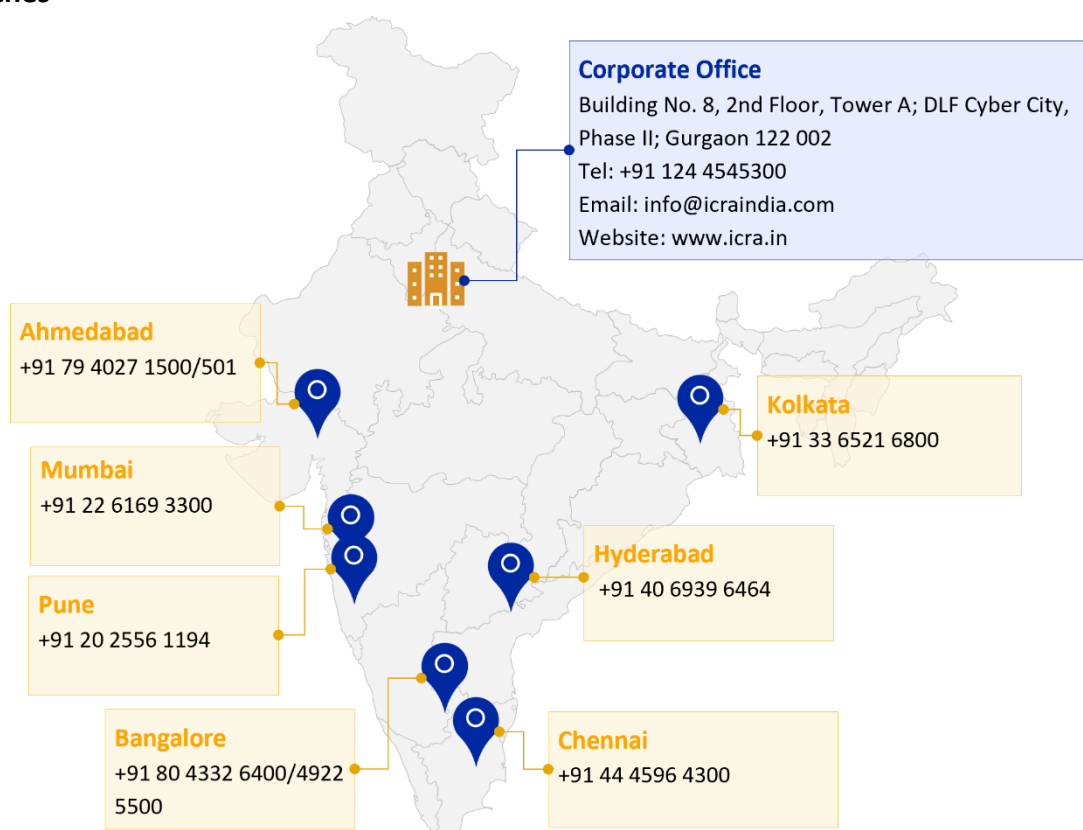
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