

Annual Report 2017 - 2018



Higher Education Financing Agency

A Section 8, Union Government Company, an NBFC

A Joint Venture of



Government of India
Ministry of Human Resource
Development



Canara Bank
केनरा बैंक



JUSHA Signed on 6-03-2017 between Ministry of HRD, GOI
and Canara Bank for formation of HEFA



HEFA team with Mr. VLVSS Subba Rao,
Additional Secretary, MHRD, GOI



HEFA Team with Director of II Generation IIT's



HEFA Team with IIT Delhi Officials



HEFA Team with Director, NIT Surathkal



Felicitations to Mr. K.K. Sharma, Founder,
Chairman, Secretary (HE) MHRD, GOI
on his retirement on 26-02-2018



HEFA Team on First Anniversary 31-05-2018



First AGM of HEFA 17-11-2018



MOU Signed on 07-02-2017 between Ministry of HRD, GOI and Canara Bank for HEFA Formation



MD & CEO, HEFA with Director IIT Tirupati



Higher Education Financing Agency

A Section 8, Union Government Company, an NBFC

14, 6th Floor, Naveen Complex, M.G. Road, Bengaluru-560 001.

Ph.: 080-25129471, 080-25587405 E-mail : info@hefa.co.in

BOARD OF DIRECTORS



Kewal Kumar Sharma
Former Secretary (H.E.)
MHRD, GOI
Ex. Chairman



Subrahmanyam Reddi
Secretary (H.E.) MHRD, GOI
Chairman



P V Bharati
Executive Director
Canara Bank
Vice Chairperson



Govardhan Umajirao
Managing Director & CEO



Preeti Sudan
Secretary, MOHFW, GOI
Nominee Director



VLVSS Subba Rao
Additional Secretary,
MHRD, GOI
Nominee Director

BOARD OF DIRECTORS



Darshana M. Dabral
Joint Secretary &
Financial Advisor, MHRD, GOI
Nominee Director



Dr. Rishiksha T. Krishnan
Director, IIM-Indore
Nominee Director



Prof. Bhaskar Ramamurthi
Director, IIT-Madras
Nominee Director



Prof. V S Chauhan
Independent Director



Prof. Ashok Misra
Independent Director



AUDITORS

M/S S JANARDHAN AND ASSOCIATES
CHARTERED ACCOUNTANTS
APARTMENT #103, EMBASSY CENTRE
NO.11, CRESCENT ROAD
BANGALORE -560001

BANKERS

CANARA BANK
CANTONMENT BRANCH
SPENCERS TOWERS, M G ROAD
BANGALORE – 560001

REGISTERED ADDRESS

6TH FLOOR, NAVEEN COMPLEX
NO. 14, M G ROAD
BANGALORE -560001



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NOTICE is hereby given that the **FIRST ANNUAL GENERAL MEETING** of the members of Higher Education Financing Agency will be held on **Saturday, 17th day of November, 2018 at 11:00 A.M. at the Canara Bank, Head Office, 112, J C Road, Bengaluru, Karnataka 560002** to transact the following businesses:

ORDINARY BUSINESS

1. To consider and adopt the Audited Financial Statement of the Company for the financial year ended 31st March, 2018 and reports of the Board of Directors & Auditors thereon.
2. To authorise Board of Directors for fixing the remuneration of the Auditors of the Company for the Financial Year 2018-19.

SPECIAL BUSINESS

3. REGULARISATION OF FIRST DIRECTORS OF THE COMPANY, BY APPOINTING THEM AS DIRECTORS OF THE COMPANY:

To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution(s):

“RESOLVED THAT in terms of the Article 128 of the Articles of Association of the Company, the following persons are named as First Directors of the company:

- 1) Mr. Kewal Kumar Sharma, Secretary Higher Education and who was replaced by Mr. Subrahmanyam Reddi, Secretary Higher Education w.e.f. 01.03.2018,
- 2) Mrs. P V Bharathi, Executive Director, Canara Bank,
- 3) Mr. Govardhan Umajirao, Managing Director & CEO of the Company;

who hold office until the close of the First Annual General Meeting; be and are hereby duly appointed as Directors of the Company.”

4. REGULARISATION OF ADDITIONAL DIRECTOR, PROF. ASHOK MISRA, BY APPOINTING HIM AS DIRECTOR OF THE COMPANY

To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution(s):



“RESOLVED THAT pursuant to the provisions of Sections 161 and other applicable provisions, if any, of the Companies Act, 2013 read with Article 128 of the Articles of Association of the Company; Prof. Ashok Misra (DIN: 00006051), who was appointed as an Additional Director by the Board of Directors of the Company w.e.f. 12.06.2017 and who holds office till the first Annual General Meeting of the company, be and is hereby appointed as Director of the Company.”

5. REGULARISATION OF ADDITIONAL DIRECTOR, DR. RISHIKESHA THIRUVENKATA KRISHNAN, BY APPOINTING HIM AS DIRECTOR OF THE COMPANY.

To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution(s):

“RESOLVED THAT pursuant to the provisions of Sections 161 and other applicable provisions, if any, of the Companies Act, 2013 read with Article 128 of the Articles of Association of the Company; Dr. Rishikesh Thiruvankata Krishnan (DIN: 00064067), who was appointed as an Additional Director by the Board of Directors of the Company w.e.f. 12.06.2017 and who holds office till the first Annual General Meeting of the company, be and is hereby appointed as Director of the Company.”

6. REGULARISATION OF ADDITIONAL DIRECTOR, PROF. VIRANDAR SINGH CHAUHAN, BY APPOINTING HIM AS DIRECTOR OF THE COMPANY.

To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution(s):

“RESOLVED THAT pursuant to the provisions of Sections 161 and other applicable provisions, if any, of the Companies Act, 2013 read with Article 128 of the Articles of Association of the Company; Prof. Virandar Singh Chauhan (DIN: 00454113), who was appointed as an Additional Director by the Board of Directors of the Company w.e.f. 12.06.2017 and who holds office till the first Annual General Meeting of the company, be and is hereby appointed as Director of the Company.”

7. REGULARISATION OF ADDITIONAL DIRECTOR, PROF. BHASKAR RAMAMURTHI, BY APPOINTING HIM AS DIRECTOR OF THE COMPANY.

To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution(s):

“RESOLVED THAT pursuant to the provisions of Sections 161 and other applicable provisions, if any, of the Companies Act, 2013 read with Article 128 of the Articles of Association of the Company; Prof. Bhaskar Ramamurthi (DIN: 01914155), who was appointed as an Additional Director by the Board of Directors of the Company w.e.f. 12.06.2017 and who holds office till the first Annual General Meeting of the company, be and is hereby appointed as Director of the Company.”



8. TO BORROW MONIES EXCEEDING THE AGGREGATE OF COMPANY'S PAID-UP SHARE CAPITAL, FREE RESERVES AND SECURITIES PREMIUM TO AN EXTENT OF RS.10,000 CRORE.

To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution(s):

“RESOLVED THAT consent of the members be and is hereby accorded to the board of directors, under section 180(1)(c) of the Companies Act, 2013 to borrow upto the total extent of Rs. 10,000 crores (Rupees Ten Thousand crores only) exceeding its paid-up capital, free reserves and securities premium from time to time notwithstanding that the money or moneys to be borrowed, together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business.

RESOLVED FURTHER that Managing Director of the Company be and is hereby authorised to file necessary forms with the registrar of companies and to do or cause to do such other acts, deeds things and execute all such documents, undertaking as may be considered necessary in connection with or incidental to the above.”

9. INCREASE IN THE AUTHORISED SHARE CAPITAL FROM EXISTING RUPEES TWO THOUSAND CRORE TO PROPOSED RUPEES TEN THOUSAND CRORE AND ALTERATION IN THE CAPITAL CLAUSE OF MOA

To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution(s):

“RESOLVED THAT pursuant to the relevant provisions of section 13, 61 & 64 and other applicable provisions, if any, of the Companies Act, 2013, and corresponding rules, Articles of Association of the Company and also prior approval of ROC; the Authorized Share Capital of the Company be and is hereby increased from Rs. 2000 crore (Rupees Two Thousand Crore) divided into 200 crore (Two Hundred crore) equity share of Rs. 10 (Ten), each to Rs. 10,000 crore (Rupees Ten Thousand Crore) divided into 1000 crore (One Thousand crore) equity shares of Rs 10 (Ten), each, by creation of additional 800 crore (Eight Hundred crore) equity shares of Rs. 10 (Ten) each ranking pari passu in all respect with the existing equity shares of the company.

RESOLVED FURTHER THAT the Clause VIII of the Memorandum of Association (MOA) of the company be and is hereby altered as under:



Existing:

“Clause VIII. The Authorised Share Capital of the Company is Rs. 20,00,00,00,000/- (Rupees Two Thousand Crores only) divided into 200,00,00,000 (Two Hundred Crores) Equity Shares of Rs. 10/- (Rupees Ten Only) each.”

Is Replaced By

“Clause VIII. The Authorised Share Capital of the company is Rs. 100,00,00,00,000/- (Rupees Ten Thousand Crores Only) divided into 10,00,00,00,000 (One Thousand Crores) Equity Shares of Rs. 10/- (Rupees Ten Only) each.”

RESOLVED FURTHER THAT the Managing Director of the Company, be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to the aforesaid.”

10.ALTERATION OF ARTICLES OF ASSOCIATION (AOA) OF THE COMPANY

To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution(s):

“RESOLVED THAT pursuant to the provisions of Section 14 and other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules, 2014, Article 82 & 149 of the Articles of Association (AOA) of the Company be and are hereby altered as under:

a) Article 82

Existing:

“82. Conditions on which money may be borrowed

Subject to the provisions of sections 73, 179 and 180 of the Act, the Board may, from time to time, at its discretion by a resolution passed at a meeting of the Board, accept deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company.

Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of business) exceed the aggregate of the Paid-Up Share Capital of the Company and its free reserves not being reserves set apart for any specific purpose), the consent of the members by way of Special Resolution shall be required.”

Is Replaced By

“82. Conditions on which money may be borrowed



Subject to the provisions of sections 73, 179 and 180 of the Act, the Board may, from time to time, at its discretion by a resolution passed at a meeting of the Board, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company, including where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of business) exceed the aggregate of the paid-up share capital of the company and its free reserves not being reserves set apart for any specific purpose).

b) Article 149:

Existing (First Paragraph):

"149. Notice of Meetings

At least 21 (twenty one) working days clear written notice shall be given for any meeting of the Board, whether in India or outside India, at the addresses provided herein below. A meeting of the Board may be called by shorter notice with the unanimous consent of all the directors and such consent shall not be withheld unreasonably and shall be given within 7 (seven) working days from the date on which the request for a shorter notice is sent."

Is Replaced By

"149. Notice of Meetings


Not less than 7 (seven) days written notice shall be given to every director for any meeting of the board, whether in India or outside India, at the addresses registered with the Company. A meeting of the board may be called at shorter notice with the unanimous consent of all the directors and such consent shall not be withheld unreasonably by any director on the receipt of request for a shorter notice."

RESOLVED FURTHER THAT the Managing Director of the Company, be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to the aforesaid."

11. Any Other matter with the permission of Chairman.

Date: 29.10.2018
Place: Bangalore

By Order of the Board


Govardhan Umajirao
Managing Director
DIN: 07544347



NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT ONE OR MORE PROXY / PROXIES TO ATTEND AND VOTE IN HER/HER PLACE. THE PROXY SHALL BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY FILLED IN SHOULD REACH THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING.**
2. Members/Proxies/Authorised Representatives are requested to bring the attendance slips duly filled in for attending the Meeting. Members who hold shares in dematerialised form are requested to write their client ID and DP ID numbers are requested to write their Folio Number in the attendance slip for attending the Meeting.
3. The 'Attendance Slip' and 'Proxy Form' is hereby attached and forms part of the notice.
4. The explanatory statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the Meeting is annexed.



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013:

Item No. 3:

The following persons are named as the First Directors of the Company in the Article 128 of the Articles of Association (AOA) of the Company and who will hold office until the close of First Annual General Meeting:

- i. Mr. Kewal Kumar Sharma, Secretary Higher Education and who was replaced by Mr. Subrahmanyam Reddi, Secretary Higher Education w.e.f. 01.03.2018,
- ii. Mrs. P V Bharathi, Executive Director, Canara Bank,
- iii. Mr. Govardhan Umajirao, Managing Director & CEO of the Company;

The Board is of the view that Company shall duly appoint them as Directors of the Company and hence it recommends the said Resolution No. 3 for approval by the members of the Company.

None of the Directors and Key Management Personnel of the Company (or their relatives), except above named Directors, is in any way concerned or interested, in the said resolution. The Board recommends the said resolution to be passed as an ordinary resolution.

Item No. 4

Prof. Ashok Misra, was appointed as an Additional Director of the Company with effect from 12.06.2017, in accordance with the provisions of Section 161 of the Companies Act, 2013, read with the Articles of Association of the Company. Pursuant to Section 161 of the Companies Act, 2013, the above director holds office till the first Annual General Meeting of the company

The Board is of the view that the appointment of Prof. Ashok Misra on the Company's Board as Director is desirable and would be beneficial to the Company and hence it recommends the said Resolution No. 4 for approval by the members of the Company.

None of the Directors of the Company and Key Management Personnel of the Company (or their relatives), except Prof. Ashok Misra himself, is in any way concerned or interested, in the said resolution. The Board recommends the said resolution to be passed as an ordinary resolution.

Item No. 5

Dr. Rishikesha Thiruvankata Krishnan, was appointed as an Additional Director of the Company with effect from 12.06.2017, in accordance with the provisions of Section 161 of the Companies Act, 2013, read with the Articles of Association of the Company. Pursuant to Section 161 of the Companies Act, 2013, the above director holds office till the first Annual General Meeting of the company



The Board is of the view that the appointment of Dr. Rishiksha Thiruvengkata Krishnan on the Company's Board as Director is desirable and would be beneficial to the Company and hence it recommends the said Resolution No. 5 for approval by the members of the Company.

None of the Directors of the Company and Key Management Personnel of the Company (or their relatives) except Dr. Rishiksha Thiruvengkata Krishnan himself, is in any way concerned or interested, in the said resolution. The Board recommends the said resolution to be passed as an ordinary resolution.

Item No. 6

Prof. Virandar Singh Chauhan, was appointed as an Additional Director of the Company with effect from 12.06.2017, in accordance with the provisions of Section 161 of the Companies Act, 2013, read with the Articles of Association of the Company. Pursuant to Section 161 of the Companies Act, 2013, the above director holds office till the first Annual General Meeting of the company

The Board is of the view that the appointment of Prof. Virandar Singh Chauhan on the Company's Board as Director is desirable and would be beneficial to the Company and hence it recommends the said Resolution No. 6 for approval by the members of the Company.

None of the Directors of the Company and Key Management Personnel of the Company (or their relatives), except Prof. Virandar Singh Chauhan himself, is in any way concerned or interested, in the said resolution. The Board recommends the said resolution to be passed as an ordinary resolution.

Item No. 7

Prof. Bhaskar Ramamurthi, was appointed as an Additional Director of the Company with effect from 12.06.2017, in accordance with the provisions of Section 161 of the Companies Act, 2013, read with the Articles of Association of the Company. Pursuant to Section 161 of the Companies Act, 2013, the above director holds office till the first Annual General Meeting of the company

The Board is of the view that the appointment of Prof. Bhaskar Ramamurthi on the Company's Board as Director is desirable and would be beneficial to the Company and hence it recommends the said Resolution No. 7 for approval by the members of the Company.

None of the Directors of the Company and Key Management Personnel of the Company (or their relatives is), except Prof. Bhaskar Ramamurthi himself, is in any way concerned or interested, in the said resolution. The Board recommends the said resolution to be passed as an ordinary resolution.

**Item No. 8**

In the Financial year 2017-18, Company has already sanctioned term loans for an amount of Rs. 2014.90 Crores to the 7 borrower institutions and 15 new proposals amounting to Rs. 9,818.39 are under process. Also as per RISE 2022, an amount of Rs. 22,200 crore is budgeted to be disbursed in the Financial Year (FY) 2018-19 by way of term loans for creation of infrastructure in the CFIS [for this Cabinet approval awaited]. Considering the Financial requirements of the Company, we may require resources to the extent not less than Rs. 10,000 crores in the FY 2018-19 which needs to be borrowed by issuance of Bonds/NCDs/Bank/FI borrowings. The company is required to be in readiness to meet this fund requirement. The Board has vide their resolution in the meeting dated 18.06.2018 has consented to seek approval of the Members for empowering the Board to borrow monies exceeding the aggregate of its Paid-up Share Capital, Free Reserves and Securities Premium upto an extent of Rs. 10,000 crore in the FY 2018-19. Further, pursuant to the Provisions of Section 180 (1) (c) of the Companies Act, 2013, the Board of the Company only with the approval of members sought by passing of a Special Resolution in the general meeting can exercise their power to borrow money (including the money already borrowed by the company, if any) exceeding the aggregate of its Paid-up Share Capital, Free Reserves and Securities Premium.

Hence, the Board recommended the Special Resolution as set out in Item No.08 of the Notice for approval of the Members.

None of the Directors and Key Management Personnel of the Company (or their relatives), whether directly or indirectly are concerned or interested either financially or otherwise, in passing of resolution as set out at item No.08

Item No. 9

The scheme of RISE by 2022 is approved by the Cabinet on 04.07.2018, expanding the scope of HEFA by enhancing its capital base to Rs. 10,000 crore and tasking it to mobilise Rs. 1,00,000 crore. Consequently, Ministry of Human Resource Development (MHRD) vide their letter dated 17.07.2018 has informed to us that they propose to enhance the authorised share capital of HEFA to Rs. 10,000 crore and provision of additional Government equity of Rs. 5,000 crores in addition to the existing approved Government equity of Rs. 1,000 crores in HEFA.

The Board has vide their resolution in the meeting dated 01.10.2018, consented to seek approval of the Members of the Company for increasing the Authorised Share Capital of the Company from existing Rs. 2000 crore to Rs. 10,000 crore, subject to the prior approval of ROC. As required Company had applied to the Registrar of Companies-Bangalore on 03.08.2018 seeking prior approval and has received the prior approval of ROC on 26.10.2018 for such alteration in the Capital Clause VIII of its Memorandum of Association. Further, in pursuance to the provisions of section 13 and 61 of the Companies Act, 2013, Authorised Share Capital of the Company may be increased by the company subject to the approval of its members by an ordinary resolution passed in a General Meeting.

Hence, the Board recommended the Ordinary Resolution as set out in Item No.09 of the Notice for approval of the Members.



None of the Directors and Key Management Personnel of the Company (or their relatives), whether directly or indirectly are concerned or interested either financially or otherwise, in passing of resolution as set out at item No.09.

Item No. 10

In the Articles of Association of the Company, following two modifications have been proposed as under:

1. Alteration in the 'Conditions on which money may be borrowed' i.e. Article 84 of AOA – HEFA, being a Private Company is exempted from the provisions of Section 180 of the Companies Act, 2013 and Board may borrow funds by passing a Board Resolution only. Also, it will be required for HEFA to avail such exemption as it has to approach market frequently to borrow upto Rs. 90,000 crores approx to support RISE by 2022 over the next four years and this will certainly reduce the length of the process to be followed for borrowing of funds by the company.
2. Alteration in the 'Notice of Meetings' i.e. Article 149 of AOA- In the Article 149 of the AOA of the Company, written Notice of at least 21 (Twenty one) clear working days and shorter notice of 7 (seven) working days is inadvertently prescribed for any Board meeting of the Company. The notice period of 21 days is too long need to be corrected.


The Board has vide their resolution in the meeting dated 01.10.2018, consented to seek approval of the Members of the Company for amending the Article 82 (Conditions on which money may be borrowed) and Article 149 (Notice of meetings) subject to the prior approval of ROC. As required Company had applied to the Registrar of Companies- Bangalore on 03.08.2018 seeking prior approval and has received the prior approval of ROC on 26.10.2018 for such alteration in the Article 84 & 149 of its Articles of Association. Further, in pursuance to the provisions of section 14 of the Companies Act, 2013, the Articles of Association of the Company may be altered by the company subject to the approval of its members by a special resolution passed in a General Meeting.

Hence, the Board recommended the Special Resolution as set out in Item No.10 of the Notice for approval of the Members.

None of the Directors and Key Management Personnel of the Company (or their relatives), whether directly or indirectly are concerned or interested either financially or otherwise, in passing of resolution as set out at item No.10.

By Order of the Board

Date: 29.10.2018
Place: Bangalore


Govardhan Umajirao
Managing Director
DIN: 07544347



CHAIRMAN'S SPEECH

*Dear shareholders,
A very warm welcome to the First Annual General Meeting.*

I would like to begin by dwelling into the status of higher educational sector in India.

Education is indispensable to sustained economic development. A balanced education system promotes not only economic development, but productivity, and enhances per capita income. No country has ever achieved sustainable economic development without considerable investment in human capital.

Higher Education in India has largely been supported through Government grants. Though reputed for their excellence in teaching and the quality of students, many of the centrally aided institutions of higher learning (like IITs) are facing challenges of having aging infrastructure, low grade research facilities. In terms of the global rankings, despite the significant performance in the learning outcomes, these institutions are failing to reach the top.

One of the perceived reasons for this is the poor quality infrastructure and the quality of research facilities. These premier institutions with high level of intellectual capital suffer for want of good quality research infrastructure required to channelize these capabilities into meaningful research. Also there is an urgent need to establish new world class institutions considering the growing young population and aspirations of New India - 2022. One of the main impediments for growth on such parameters is lack of funding to such institutions. Due to the fiscal constraints, the funds made available through Government budgets are not sufficient to meet the growing requirements of these institutions.

In the above backdrop, the year 2017-18 which has gone by has been truly significant for Higher Education in India and I would like to recall the events.

Finance Minister in his Budget speech of 2016-17, announced setting up of Higher Education Financing Agency (HEFA), a not-for-profit organisation with an initial capital base of Rs.1000 crore, to leverage funds from the market and supplement them with donations and CSR funds to finance improvement in infrastructure in top institutions.

EFC and cabinet considered and approved the proposal of establishing HEFA in its meeting held on 12.09.2016. Canara Bank was identified and appointed as JV partner on 29.12.2016 for establishment of HEFA.

An MOU was signed on 09.02.2017 between MHRD and Canara Bank for the same. Later a JV was also signed between MHRD and Canara bank on 16.03.2017.

HEFA received the licence under section 8 on 30.05.2017 and the company was incorporated under the Companies Act 2013 on 31.05.2017. It received NBFC registration from RBI on 21.11.2017.

The equity is proposed to be funded in the ratio of 90:10.



In the Rise by 2022 announced by H'ble FM in his budget speech of 2017-18, HEFA's role was expanded to cover all centrally funded institutions. In this model, HEFA would be able to fund larger basket of institutions as compared to grants approach. There will be greater efficiency and accountability in project funding. Top class infrastructure can be created in quick time so that the country realises the demographic dividend in a faster time frame.

*This model envisaged moving all infrastructure financing (from the existing dependence on budget grant) to HEFA. **The proposed** investment over the next 4 years is Rs 1,00,000 crore. **This would be financed through mix of debt and equity. The estimated equity contribution would be Rs. 10,000 crore and remaining Rs. 90,000 crore shall be raised from the market in the form of debt. The proposed equity contribution is MHRD – Rs.6000cr, Canara Bank – Rs.600cr and other Rs.3400 cr. HEFA would raise balance of Rs. 90,000 crores from the market from institutional investors by issuing GOI guaranteed / GoI serviced Bonds on private placement basis and also by way of Loans from banks and institutions.***

The principal repayment of loans will be fully / partly made by institutions and partly by GoI depending on which category the institution falls as proposed in RISE by 2022. Interest will be fully serviced by GoI through grants.

As a Section 8 “Not for Profit” Company, HEFA is eligible to receive CSR funds for giving it as grants for R & D Projects carried out by the Institutes. HEFA will release the CSR contributions to the institutions for R & D & Innovation and monitor their utilization.

*HEFA has held four (4) **Board** meetings during the FY 2017-18 and approved projects to the tune of Rs. 2112.41 crore for seven (7) institutions.*

HEFA had a surplus of Rs.8.48 crore byway of interest income from capital contributions kept in bank deposits.

The target before us is challenging but not insurmountable. With the support of all of you, I am sure we will achieve our objectives.

HEFA is committed to changing the face of Higher Education in India through pursuit of excellence, commitment of its employees, co-operation of borrower institutions and support of investors and shareholders.

Before concluding, I would also like to thank all my colleagues on the Board who have steered HEFA in its formative year and shareholders MHRD GoI and Canara Bank for their firm commitment to the cause.

Thank you,

Yours Sincerely

R.SUBRAHMANYAM



DIRECTOR'S REPORT

Dear Members,

Your Directors are presenting their First Annual Report on the working of the Company together with audited accounts for the year ended March 31st, 2018:

HEFA obtained its license under Section 8 of the Companies Act, 2013 on 30th May, 2017 and was incorporated as a private limited company on 31st May 2017. HEFA is a joint venture company of MHRD, GOI and Canara Bank and is managed independently by the Board of Directors.

Significant Developments during the financial year 2017-18 are furnished in the Annexure 1 to this Report.

1. FINANCIAL RESULTS

The Company's financial performance for the period from 31st May 2017 to 31st March 2018 is summarised below:

(Amount in Rs.)	
Particulars	Amount
Income	11,35,41,160
Less: Total expenditure	2,86,75,168
(Deficit)/ Surplus before Tax	8,48,65,992
*Tax Expenses	-
(Deficit)/ Surplus for the year	8,48,65,992

*Our Company is registered under section 12AA of Income Tax Act, 1961 and income is exempted from Income Tax and hence no provision for tax has been made in the accounts.

The Company has commenced its business w.e.f. 14.02.2018 the date of commencement of business is reported to Reserve Bank of India (RBI) as per the terms of the Certificate of Registration issued by the RBI.

2. TRANSFER TO RESERVES

The Company transferred an amount of Rs. 8,48,65,922/- to the General Reserves. As a Section 8 company, no dividend is distributed and hence entire balance of Profit & Loss Account is transferred to General Reserve.

3. DIRECTORS' RESPONSIBILITY STATEMENT



In terms of section 134(5) of the Companies Act, 2013, your Directors confirm that:

- I. In the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures.
- II. Appropriate accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for the period ended March 31st, 2018.
- III. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- IV. The annual accounts have been prepared on a going concern basis.
- V. Proper systems has been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

4. DETAILS OF DIRECTORS & KEY MANAGERIAL PERSONNEL

The Present Directors of the Company are as follows:

Sr. No.	Name of the Director	Designation	Date of Appointment
1.	Mr. Subrahmanyam Reddi	Chairman-Nominee Director-Secretary, MHRD, GOI	01.03.2018
2.	Mrs. P V Bharathi	Vice-Chairperson-Nominee Director-Executive Director, Canara Bank	31.05.2017
3.	Mr. Govardhan Umajirao	Managing Director & CEO	31.05.2017
4.	Mr. Rishikesha Thiruvengkata Krishnan	Additional Director	12.06.2017
5.	Mr. Bhaskar Ramamurthi	Additional Director	12.06.2017
6.	Mr. Ashok Misra	Additional Director (Independent Director)	12.06.2017
7.	Mr. Virandar Singh Chauhan	Additional Director (Independent Director)	12.06.2017

Change in Directors

- Consequent to the retirement of **Mr. Kewal Kumar Sharma, Secretary Higher Education (HE), MHRD, GOI** on 28.02.2018, he ceases to be a Director on the Board and Chairman of the Company. In his place, Mr. Subrahmanyam Reddi has taken charge as Secretary HE, MHRD w.e.f. 01.03.2018 and hence was appointed as a Nominee Director of MHRD on the Board of the Company and also as Chairman w.e.f. 01.03.2018.



- In terms of the Articles 128 of the Articles of Association (AOA) of the Company, First Directors will hold office until the close of first Annual General Meeting (AGM) of the Company and hence they will be appointed as Directors of the Company subject to the approval by members in the First AGM.
- Also, the Additional Directors will hold office till the First AGM of the company and hence they will be reappointed as Directors of the Company subject to the approval by members in the First AGM.

Key Managerial Personnel appointed during the period under review:

- In terms of the provisions of Companies Act, 2013; Ms. Pooja Verma, an Associate Member of the Institute of Company Secretaries of India, was appointed as a Company Secretary of the Company w.e.f. 04.01.2018 on contractual basis for a period of one year.

5. BOARD MEETINGS

The Board of Directors of the Company duly met 4 times during the period under review; details are as follows:

Particulars	Date of Board Meeting
1 st Board Meeting	12.06.2017
2 nd Board Meeting	11.08.2017
3 rd Board Meeting	29.11.2017
4 th Board Meeting	17.01.2018

6. STATUTORY AUDITORS OF THE COMPANY

In exercise of the powers conferred by section 139 of the Companies Act, 2013; the Comptroller and Auditor General of India (C&AG) has appointed the Statutory Auditors of the Company for the Financial Year 2017-18; who shall hold office till the conclusion of the First Annual General Meeting, as follows:

Name of the Auditors -	M/s. Janardhan & Associates
	Chartered Accountants
Firm's Registration no.-	005310S
Firm's empanelment no. with C&AG -	Ba0774
Address -	No. 103, 1 st Floor, Embassy Centre, No. 11, Crescent Road Bangalore – 560001, KA

The next Statutory Auditors of the Company will be appointed by the C&AG who have the power to appoint the Statutory Auditors to hold office from the conclusion of First AGM until the conclusion of the next AGM.

**7. FIXED DEPOSITS**

Your Company is a non deposit taking Non Banking Financial Company as per the terms of the certificate of registration issued by the Reserve Bank of India (RBI). The Company has not accepted any fixed deposit during the year under review.

8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

No loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013, were given during the period under review.

9. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ARE GIVEN IN THE PRESCRIBED FORMAT UNDER THE COMPANIES (ACCOUNTS) RULES, 2014

The Company is not engaged in any manufacturing activity, hence the provisions of section 134(3)(m) of the Companies Act, 2013 are not applicable. The Company is not carrying any activity relating to export and has not used or earned any Foreign Exchange.

10. PARTICULARS OF EMPLOYEES

There are no employees on the rolls of the Company and the information required under Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is not applicable to the Company.

11. ANNUAL RETURN

The web-link of annual return: <http://hefa.co.in/invest-in-us/#notifications>

12. RISK MANAGEMENT POLICY

The Company's credit operations are conducted as per the Board approved Credit Policy which covers the Risk Management mechanism to identify, assess, monitor and mitigate various key business risks in its credit operations.

13. RELATED PARTY TRANSACTIONS

The Company has not entered into any contract or arrangement with related parties as set out under Section 188(1) of the Companies Act, 2013.

14. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT



No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statements relate and the date of this Report.

15. CORPORATE SOCIAL RESPONSIBILITY

During the first financial year, the Company has not undertaken any initiatives under Corporate Social Responsibility.

16. DECLARATIONS AND CONFIRMATIONS

- 1) The Company has adequate internal financial control system in place which operates effectively.
- 2) There were no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future

Provisions of Section 204 with respect to Secretarial Audit are not applicable to the Company.


17. DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

During the period under review, no complaints/cases were filed pursuant to SexualHarassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

18. ACKNOWLEDGEMENTS

Your Directors would like to express their sincere appreciation for the assistance and co-operation received from the MHRD - GOI, Canara Bank and Educational Institutions -our prospective Borrowers and Company's staff and executives during the year under review.

For and on behalf of the Board


Govardhan Umajirao
Managing Director
DIN: 07544347


R Subrahmanyam
Chairman
DIN: 08097235

Place : New Delhi
Date : 01.10.2018



ANNEXURE TO THE DIRECTORS' REPORT

THE SIGNIFICANT DEVELOPMENTS DURING THE FINANCIAL YEAR 2017-18

➤ **NBFC Registration:**

Our Company was registered with the Reserve Bank of India (RBI) vide Certificate of Registration (CoR) no. 02.00289 dated 21.11.2017 as anon-deposit taking Non-banking Financial Company category Type II (NBFC-ND-TYPE II).

Company is also a unique structure and one of its kind, a section 8 (not for profit) Private company under the Companies Act, 2013 owned by the Government of India, MHRD and is also registered with the Reserve Bank of India (RBI) as non deposit taking and non-systemically important NBFC.

➤ **Directors inducted to the Board**

In the First Board Meeting of the Company, held on 12.06.2018 Company inducted to the Board following four eminent personalities as Directors:

- Prof. Ashok Misra, Professor, Indian Institute of Science, Bangalore. [Independent Director]
- Prof. Virander Singh Chauhan, the Chairman In-Charge & Member of University Grants Commission (UGC). [Independent Director]
- Prof. Bhaskar Ramamurthi, Director, Indian Institute of Technology, Chennai. [Nominee Director of MHRD-GOI]
- Dr. Rishikesh Thiruvankata Krishnan, Director, Indian Institute of Management, Indore. [Nominee Director of MHRD-GOI]

➤ **Key Managerial Personnel**

Key Managerial Personnel having relevant expertise and experience form the management team of Company:

➤ **Capital Infusion:**

Promoters of the Company have infused equity capital of Rs. 300 Crores (Authorised Capital Rs. 2,000 crores) into the company and Thirty Crores (30,00,00,000) Equity Shares of Rs. 10/- each have been allotted to them in the Board meeting held on 11.08.2017 as follows:

- 25,00,00,000 Equity Shares to the Government of India, Ministry of Human Resource Development, Department of Higher Education.
- 5,00,00,000 Equity Shares to the Canara Bank

Shares of the Company are issued and allotted in the Demat form. M/s Canbank Computer Services Limited is appointed as Share Transfer Agent.

➤ **Ratings**

Company has secured an issuer rating of AA- (stable) from ICRA on 12.09.2017

➤ **Board Meetings**

Company has so far held 4 Board meetings as detailed below:

FY 2017 –18	Date
1 st meeting	12.06.2017
2 nd meeting	11.08.2017
3 rd meeting	29.11.2017
4 th meeting	17.01.2018

Major decisions so far by the Board**Policies approved**

Board has so far approved the following policies:

Date of Board	Policy
11.08.2017	Credit policy
11.08.2017	Fair practice code
29.11.2017	Investment policy

Sanctions made so far

The Company Board in the 3rd meeting held on 29th November, 2017 has sanctioned the following projects to the tune of Rs. 2,112.41 cr for 7 institutions.

Sl. No.	Name of the borrowing institute	Amount of Loan (Rs.in crs)
1	NIT, Surathkal	80.00
2	IIT, Kanpur	391.00
3	IIT, Delhi	203.60
4	IIT, Madras	295.81
5	IIT, Bombay	500.00
6	IIT, Kharagpur	500.00
7	IIT, Guwahati	142.00
	Total	2112.41



➤ **Loan Documents:**

Following documents to be obtained from the Borrower institutions were drafted by the Legal Counsel of the Company, M/s Dua& Associates and the same was approved by the Canara Bank legal section, H.O.:

1. Term Loan Agreement
2. Deed of Hypothecation
3. Escrow Agreement

➤ **Other Developments:**

Accounting software

Company has procured the financial & accounting software from Can Computer Services Ltd to suit its business activity lending, resource mobilization and accounting requirements. It is under SAAS model and is cloud based.

Website

Company's website developed by M/s Key Difference Media Pvt Ltd is live with basic functionalities since 14 February 2018. Institutions can login and apply for loan through the website interface.

Institutions can get important information regarding Company and all mandatory and any disclosures to public or any other stakeholders can be done through the website.



S. JANARDHAN & ASSOCIATES CHARTERED ACCOUNTANTS

VIJAY BHATIA, B.com., F.C.A.,
BALAKRISHNA S.BHAT, B.com., F.C.A.,
B. ANAND, B.Sc., F.C.A.,



Apt. No.103 & 106
Embassy Centre
No.11, Crescent Road
Bangalore - 560 001

Phone :22265438, 22260055
22202709 Fax: 22265572
E-mail : ca.sjassociates@gmail.com

Independent Auditors' Report

To the members of Higher Education Financial Agency,

Report on the Financial Statements

We have audited the accompanying financial statements of Higher Education Financial Agency, 6th Floor, Naveen Complex, No. 14, MG Road, Bengaluru, Karnataka 560001 ("the Company"), which comprise the Balance Sheet as at 31st March 2018, the Statement of Income and Expenditure Account and Cash Flow Statement of the Company for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 as amended from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report.





- d. In our opinion, the aforesaid financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014;
- e. On the basis of written representations received from the directors as on 31st March 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2018, from being appointed as a director in terms of Section 164(2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:
 - i. The Company did not have any pending litigations as at 31st March 2018 which have an impact on its financial position in its financial statements;
 - ii. The Company did not have any long-term contracts including derivative contract for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to Investors Education and Protection Fund by the Company.

As the Companies (Auditor's Report) Order 2016 (as amended) is not applicable to a Company registered under Section 8 of the Companies Act, 2013 as amended, the requirements of CARO, 2016 were not reported.

For S Janardhan & Associates
Chartered Accountants
Firm Registration No. 0053105



Balakrishna S Bhat
Partner

Membership Number: 202976

28th June 2018
Bengaluru



- d. In our opinion, the aforesaid financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014;
- e. On the basis of written representations received from the directors as on 31st March 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2018, from being appointed as a director in terms of Section 164(2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:
 - i. The Company did not have any pending litigations as at 31st March 2018 which have an impact on its financial position in its financial statements;
 - ii. The Company did not have any long-term contracts including derivative contract for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to Investors Education and Protection Fund by the Company.

As the Companies (Auditor's Report) Order 2016 (as amended) is not applicable to a Company registered under Section 8 of the Companies Act, 2013 as amended, the requirements of CARO, 2016 were not reported.

For S Janardhan & Associates
Chartered Accountants
Firm Registration No. 0053105



Balakrishna S Bhat
Partner
Membership Number: 202976

28th June 2018
Bengaluru



Annexure - A to the Auditors' Report

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Higher Education Financial Agency ("the Section 8 Company") as of 31st March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.





Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S Janardhan & Associates
Chartered Accountants
Firm Registration No. 0053105



Balakrishna S Bhat
Partner

Membership Number: 202976

28th June 2018
Bengaluru



S. JANARDHAN & ASSOCIATES CHARTERED ACCOUNTANTS

VIJAY BHATIA, B.com., F.C.A.,
BALAKRISHNA S.BHAT, B.com., F.C.A.,
B. ANAND, B.Sc., F.C.A.,



Apt. No.103 & 106
Embassy Centre
No.11, Crescent Road
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Phone :22265438, 22260055
22202709 Fax: 22265572
E-mail : ca.sjassociates@gmail.com

21st August 2018

The members of Higher Education Financing Agency.

This corrigendum is issued to the Independent Auditors' Report dated 28th June, 2018 and to the Annexure-A to the Auditors' Report.

In the following paras/sentences of the Auditors' Report to the members, there is a spelling mistake in the Company Name. The same is replaced by "**Higher Education Financing Agency**" instead of "Higher Education Financial Agency"

Para No.1

To the Members of "Higher Education Financial Agency" to be read as "**Higher Education Financing Agency**"

Para No.2

Report on Financial Statements

We have audited the accompanying financial statements of "Higher Education Financial Agency", to be read as **Higher Education Financing Agency** 6th Floor, Naveen Complex, No. 14, MG Road, Bengaluru, Karnataka 560001 ("the Company"),

Para No.1 of Annexure -A to the Auditors' Report.

We have audited the internal financial controls over financial reporting of Higher Education Financial Agency ("the Section 8 Company") to be read as "**Higher Education Financing Agency**"



For S. Janardhan & Associates
Chartered Accountants

(CA Balakrishna S Bhat)
Partner
M. No. 202976



कार्यालय प्रधान निदेशक वाणिज्यिक लेखा परीक्षा
एवं पदेन सदस्य लेखा परीक्षा बोर्ड-IV, नई दिल्ली.
Office of the Principal Director of Commercial
Audit & Ex-officio Member Audit Board-IV, New Delhi.
गोपनीय

स. 689-PDCA/MAB-IV/HS/A/cs/HEFA/18-19/3424
दिनांक :- 28.08.2018

सेवा में,

The Chairman,
Higher Education Financing Agency,
No. 14, 6th Floor, Naveen Complex,
MG Road, Bangalore - 560001.

विषय: भारत के नियन्त्रक एवं महालेखापरीक्षक द्वारा कम्पनी अधिनियम 2013 के अनुच्छेद 143(6)(b) के अंतर्गत Higher Education Financing Agency के 31 मार्च 2018 को समाप्त वर्ष के वित्तीय खातों पर टिप्पणियां

महोदय,

इस पत्र के साथ कम्पनी अधिनियम 2013 के अनुच्छेद 143(6)(b) के अंतर्गत Higher Education Financing Agency के 31 मार्च 2018 को समाप्त वर्ष के वित्तीय खातों पर Non-Review प्रमाणपत्र भेजा जा रहा है।

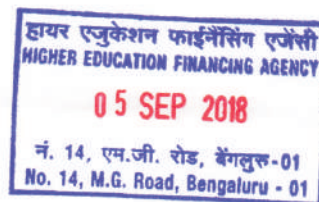
कृपया इस पत्र की पावती भेजने की कृपा करें।

भवदीय

संलग्न : यथोपरि

(मनीष कुमार)

महानिदेशक वाणिज्य लेखापरीक्षा
एवं पदेन सदस्य, लेखापरीक्षा बोर्ड - IV





COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HIGHER EDUCATION FINANCING AGENCY FOR THE YEAR ENDED 31 MARCH 2018

The preparation of financial statements of **Higher Education Financing Agency** for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139 (5) of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 28th June 2018.

I, on behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the financial statements of **Higher Education Financing Agency** for the year ended 31 March 2018 under section 143 (6)(a) of the Act.

**For and on behalf of the
Comptroller & Auditor General of India**

Place: New Delhi

Date: 28.08.2018

(मनीष कुमार)

महानिदेशक वाणिज्य लेखापरीक्षा
एवं पदेन सदस्य, लेखापरीक्षा बोर्ड - IV



HIGHER EDUCATION FINANCING AGENCY (CIN:U74999KA2017NPL103474) 6th Floor, Naveen Complex, No 14, MG Road, Bengaluru, Karnataka 560001 (A Non Banking Finance Company Licensed under Section 8 of the Companies Act,2013) [Private Limited & Government Company]			
Balance Sheet as at 31 st March 2018			
Sl. No	Particulars	Note No.	As at 31 st March 2018
I	EQUITY AND LIABILITIES		
	1. Shareholders' funds		
	(a) Share capital	3	3,00,00,00,000
	(b) Reserves and surplus	4	8,48,65,992
	2. Current Liabilities		
	(a) Short term provisions	5	29,500
	Total		3,08,48,95,492
II	ASSETS		
	1. Current assets		
	(a) Cash and bank balances	6	3,04,90,12,385
	(b) Short-term loans and advances	7	63,04,429
	(c) Other current assets	8	2,95,78,678
	Total		3,08,48,95,492
Significant Accounting Policies and accompanying Notes forming part of the Financial Statements 1 to 13			
For and on behalf of the Board of Directors of HIGHER EDUCATION FINANCING AGENCY		As Per Our Report Of Even Date Attached For S. Janardhan & Associates Chartered Accountants Firm's Registration No. 0053105	
 (Govardhan Umajirao) Managing Director DIN-07544347		 (Subrahmanyam Reddi) Chairman DIN-08097235	
 (Pooja Verma) Company Secretary M.No. 30378		 Balakrishna S Bhat Partner M. No.- 202976	
Date:18.06.2018 Place: New Delhi		 	



**HIGHER EDUCATION FINANCING AGENCY**

(CIN:U74999KA2017NPL103474)

6th Floor, Naveen Complex, No 14, MG Road,, Bengaluru, Karnataka 560001

(A Non Banking Finance Company Licensed under Section 8 of the Companies Act,2013)

[Private Limited & Government Company]

Statement of Income and Expenditure for the Period Ended 31st March 2018

Sl. No	Particulars	Note No.	Period ended 31 st March 2018
I.	Income		
	Other Income	9	11,35,41,160
II.	Total Revenue		11,35,41,160
III.	Expenditure		
	Employee benefit expenses		-
	Financial costs		-
	Depreciation and amortization expenses		-
	Other expenses	10	2,86,75,168
IV.	Total Expenditure		2,86,75,168
V.	Surplus/(Deficit) for the period (II-IV)		8,48,65,992
VI.	Surplus/(Deficit) carried forward (V)		8,48,65,992

Significant Accounting Policies and accompanying Notes forming part of the Financial Statements

1 to 13

For and on behalf of the Board of Directors of
HIGHER EDUCATION FINANCING AGENCY(Govardhan Umajirao)
Managing Director
DIN-07544347(Subrahmanyam Reddi)
Chairman
DIN-08097235(Pooja Verma)
Company Secretary
M.No. 30378

Date: 18.06.2018

Place: New Delhi

As Per Our Report Of Even Date Attached
For S. Janardhan & Associates
Chartered Accountants
Firm's Registration No. 0053105Balakrishna S Bhat
Partner
M. No. - 202976

28.06.2018





HIGHER EDUCATION FINANCING AGENCY			
(CIN:U74999KA2017NPL103474)			
6th Floor, Naveen Complex, No 14, MG Road,, Bengaluru, Karnataka 560001			
(A Non Banking Finance Company Licensed under Section 8 of the Companies Act,2013)			
[Private Limited & Government Company]			
Cash flow statement for the period ended 31st March 2018			
Sl.No	Particulars		Current Year
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Surplus for the period		8,48,65,992
	Adjustment for :		
	Preliminary Expenses Written off		2,56,45,668
	Stamp duty on issue of shares		30,00,000
	Interest Income		(11,35,41,160)
	Surplus before Working Capital changes		(29,500)
	Adjustments for Working Capital Changes:		
	Short Term Loans and Advances		(63,04,429)
	Other Current Assets		(2,95,78,678)
	Other Current Liabilities & Short term provisions		29,500
	Cash Generated From Operations		(3,58,83,107)
	Less : Direct taxes paid		-
	Cash Flow before Exceptional items		(3,58,83,107)
	Exceptional items		-
	Cash used in Operations	(A)	(3,58,83,107)
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Interest Income		11,35,41,160
	Net Cash Flow from Investing Activities	(B)	11,35,41,160
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Infusion of Equity funds		3,00,00,00,000
	Preliminary Expenses Written off		(2,56,45,668)
	Stamp duty on issue of shares		(30,00,000)
	Net Cash Flow from Financing Activities	(C)	2,97,13,54,332





Sl. No	Particulars		Current Year
	Net Increase / (Decrease) In Cash And Cash Equivalents	(A+B+C)	3,04,90,12,385
	Add: Cash and cash equivalents as at the beginning of the year		-
	Cash and cash equivalents as at the end of the year		3,04,90,12,385
	Refer Note No. II (1) (a) in Balance Sheet:		
	1. Cash and Cash Equivalents		
	i. Cash on Hand		-
	ii. Cash at bank (Current and Fixed Deposit accounts)		3,04,90,12,385
	Cash and Bank balances as per Balance Sheet		3,04,90,12,385
<p>For and on behalf of the Board of Directors of HIGHER EDUCATION FINANCING AGENCY</p> <p>(Govardhan Umajirao) Managing Director DIN-07544347</p> <p>(Subrahmanyam Reddi) Chairman DIN-08097235</p> <p>(Pooja Verma) Company Secretary M.No. 30378</p> <p>Date: 18.06.2018 Place: New Delhi</p> <p>As Per Our Report Of Even Date Attached For S. Janardhan & Associates Chartered Accountants Firm's Registration No. 0053105</p> <p>Balakrishna S Bhat Partner M. No.- 202976 22.06.2018</p>			





HIGHER EDUCATION FINANCING AGENCY

(CIN:U74999KA2017NPL103474)

6th Floor, Naveen Complex, No 14, MG Road,, Bengaluru, Karnataka 560001

(A Non Banking Finance Company Licensed under Section 8 of the Companies Act, 2013) [Private Limited & Government Company]

SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018

1 Corporate Information

HIGHER EDUCATION FINANCING AGENCY(HEFA) has been incorporated as a Private limited company under section 8 of the Companies Act, 2013 as a Joint Venture Company of Ministry of HRD, and Canara Bank, pursuant to Certificate of Incorporation issued by the Registrar of companies dated 31st May 2017 with an object of financing the India's higher education institutions. HEFA is an initiative of the Ministry of the HRD to leverage funds from the market and supplement with donations and CSR funds to finance the infrastructure in the top educational institutions. This will incentivise the institutions better internal resource generation and lead to developing into a world class institutions. At present, the company is jointly promoted by the Ministry of HRD and Canara Bank, with Canara Bank functionally managing the company.

The Company has received Licence dated 30th May 2017 under section 8 of Companies Act, 2013.

The Company has been granted Registration under Section 12AA of the income Tax Act, 1961 as a Public Charitable Company with effect from 2nd February 2018.

The Company has also obtained registration with Reserve Bank of India as a 'Non-deposit taking NBFC' for the purpose of carrying out Non Banking Finance business.

2 Summary of significant accounting policies

a. Basis of preparation

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principle (GAAP) under the historical cost convention on the accrual basis. GAAP comprises of mandatory accounting standards as prescribed under section 133 of Companies Act, 2013, read with Rules 7 of the Companies (Accounts) Rules, 2014. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standard requires a change in accounting policy hitherto in use.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of the operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c. Cash Flow Statement:

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non cash nature and the changes during the period in inventories and operating receivables and payables. The cash flows from regular revenue generating (operating), investing and financing activities of the Company are shown separately.

d. Prior Period Items and Extraordinary Items

Prior period items and extraordinary items, if any are separately classified, identified and dealt with as required under Accounting Standard 5 on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' as specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.



**e. Revenue Recognition**

- i. Interest Income from lending to education institutions will be recognised on accrual basis based on test of certainty of recovery of receivables
- ii. Interest Income from bank deposits will be recognised on accrual basis

f. Property, Plant and Equipments and depreciation on assets

- Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management. The company depreciates property, plant and equipment over their useful lives as prescribed in the Schedule II of the Companies Act 2013 using the written down value method.

- Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'

However, during the year, the Company has not purchased any Tangible / Intangible assets.

g. Investments

As per the investment policy, the Company can invest only in Fixed Deposits with PSBs and no other investments can be made by the company.

Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such decline is not temporary in the opinion of the management.

On disposal of an investment, the difference between the carrying amount and net disposal proceeds is charged or credited to the Statement of Income and Expenditure Account.

Short-term investments are stated at lower of cost or market value.

h. Employee Benefits

During the period under review, the operations of the company were managed by personnel who were deputed from Canara Bank.

Accordingly, there were no employees in the Company's payroll. Hence, requirement of any specific policy do not arise

i. Earnings per share

Basic earnings per share are calculated by dividing the surplus / deficit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

j. Taxes

The Company has received Licence dated 30th May 2017 under section 8 of Companies Act 2013. As the company has been granted registration under Section 12AA of Income Tax Act, 1961 dated 2nd Feb 2018 for claiming Income as Exempted Income, no provision for income tax has been made and deferred tax liability/asset do not arise.

However, for section 8 Companies registered under section 12AA of the Income Tax Act, 1961; in view of explanation 1 to section 115JB of the Income Tax Act, 1961, the impact of Income & Expenditure additions/deductions is Zero and hence no provisions for MAT has been made in the books.

k. Provisions and Contingencies

Provisions are recognised only where there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made as at the Balance Sheet date. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of obligation cannot be made.

For and on behalf of the Board of Directors of
HIGHER EDUCATION FINANCING AGENCY

(Govardhan Umajirao)
Managing Director
DIN-07544347

(Subrahmanyam Reddi)
Chairman
DIN-08097235

(Pooja Verma)
Company Secretary
M.No. 30378

Date: 18.06.2018
Place: New Delhi

For S. Janardhan & Associates
Chartered Accountants
Firm's Registration No. 0053105



Balakrishna S Bhat
Partner
M. No. - 202976





HIGHER EDUCATION FINANCING AGENCY (CIN:U74999KA2017NPL103474) 6th Floor, Naveen Complex, No 14, MG Road., Bengaluru, Karnataka 560001 (A Non Banking Finance Company Licensed under Section 8 of the Companies Act, 2013) (Private Limited & Government Company)			
(Amount in Rs.)			
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT/PERIOD ENDING 31ST MARCH 2018			
Note No.	Particulars	As at/period ended 31 st March 2018	
		No. of Shares	Amount Rs.
3	Share Capital		
a)	Authorised Share Capital (200,00,00,000 equity shares of Rs. 10 each)	2,00,00,00,000	20,00,00,00,000
b)	Issued, subscribed and fully paid up (30,00,00,000 equity shares of Rs. 10 each issued & fully paid)	30,00,00,000	3,00,00,00,000
	Terms and rights of Equity Shares		
	The company has One class of equity shares having par values of Rs.10/- each. Each holder of equity share is entitled to one vote on a show of hand and one vote per share on a poll irrespective of the class of equity shares held or the amount paid-up thereon. As the Company is a Not for profit Company licensed under section 8 of the Companies Act, 2013 and hence no portion of the Profits, other income or property shall be paid or transferred, directly or indirectly, by way of dividend or bonus or otherwise by way of profit to the members of the company. Upon winding up or dissolution of the company, the remaining property after the satisfaction of all the debts and liabilities shall not be distributed amongst the members of the company, but shall be given or transferred to such other company having similar objects; and also if that remaining property is sold on order of any authority, the proceeds of it will be credited to the Rehabilitation and Insolvency Fund.		
	Reconciliation of Shares		
	Particulars	As at 31 st March 2018	
		Nos.	Amount Rs.
	Balance as at the beginning of the year		
	Shares issued during the year	30,00,00,000	3,00,00,00,000
	Balance at the end of the year	30,00,00,000	3,00,00,00,000
	Details of shareholders holding more than 5% of shares		
	Particulars	As at 31st March 2018	
	Name of the shareholder	Nos.	%
(a)	Government of India (Ministry of Human Resource Development, Department of Higher Education)	25,00,00,000	83
(b)	CANARA BANK	5,00,00,000	17
	Total	30,00,00,000	100
	The company has only one class of issued shares referred to as equity shares having a par value of Rs.10/- each. Each holder of equity shares is entitled to one vote per share held.		
4	Reserves & Surplus		
	Surplus		
	Balance at the beginning of the year		
	Add: Transfer from Statement of Income and Expenditure Account		8,48,65,992
	Balance at the end of the year		8,48,65,992
5	Short term provisions		
	Audit Fees Payable		29,500
	Total		29,500
6	Cash and Bank Balances		
a)	Cash on hand		
b)	Balance with bank in current account		1,00,000
c)	Fixed Deposit with maturity of less than 12 months		3,04,89,12,385
	Total		3,04,90,12,385
7	Short term loans and advances		
	Tax deducted at source, receivable		63,04,429
	Total		63,04,429
8	Other Current Assets		
	Interest Accrued but not due		2,95,78,678
	Total		2,95,78,678





HIGHER EDUCATION FINANCING AGENCY	
(CIN:U74999KA2017NPL103474)	
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(A Non Banking Finance Company Licensed under Section 8 of the Companies Act,2013)	
[Private Limited & Government Company]	
(Amount in Rs.)	
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT/PERIOD ENDING 31ST MARCH 2018	
9	Other income
	Interest earned on Fixed Deposit
	11,35,41,160
	11,35,41,160
10	Other Expenses
	Payment to Auditor - Statutory Audit
	29,500
	Preliminary expenses written off (Incorporation expenses)
	2,56,45,668
	Stamp duty for issue of shares
	30,00,000
	2,86,75,168
11	Surplus per share:
	Surplus for the period (Rs.)
	8,48,65,992
	Number of equity shares held (No. 's)
	30,00,00,000
	Weighted average number of equity shares (No. 's)
	25,06,84,932
	Nominal value per share (Rs.)
	10.00
	Basic and Diluted Surplus per share - Face value of Re.10
	per share (Rs.)
	0.34
12	Income and Expenditure in Foreign currency
	Nil
13	Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 (as amended)
	As at 31st March 2018, there are no dues payable to MSMED vendors, hence further disclosures as required under this act do not arise.
<p>For and on behalf of the Board of Directors of HIGHER EDUCATION FINANCING AGENCY</p> <p>(Goverdhan Umajirao) Managing Director DIN-07544347</p> <p>(Subrahmanyam Reddi) Chairman DIN-08097235</p> <p>(Pooja Verma) Company Secretary M.No. 30378</p> <p>Date: 18.06.2018 Place: New Delhi</p>	
<p>As Per Our Report Of Even Date Attached For S. Janardhan & Associates Chartered Accountants Firm's Registration No. 0053105</p> <p>Balakrishna S Bhat Partner M. No. - 202976</p> <p>28.06.2018</p>	