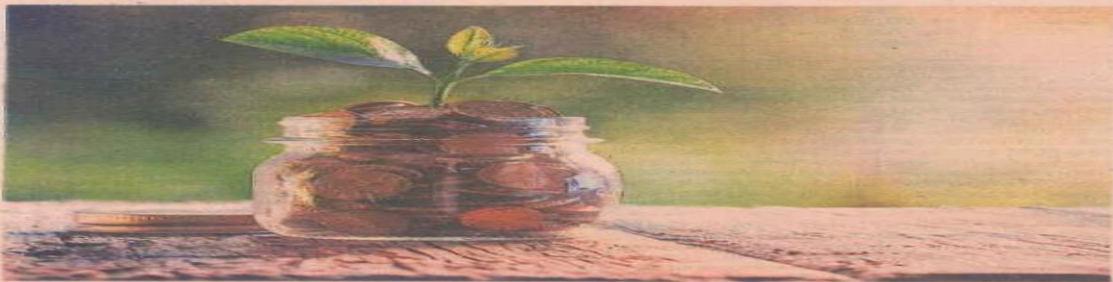


Agency set up to give loans to IITs, IIMs

Interest to be borne by the Centre; disbursement likely from August 15



SAHIL MAKKAR
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The human resource development ministry and Canara Bank have set up an agency to fund creation of infrastructure and research facilities at higher education institutes.

The government said the Higher Education Financing Agency (HEFA) has been authorised to raise up to ₹20,000 crore to give loans for specific needs of the Indian Institutes of Management (IIMs), the Indian Institutes of Technology (IITs), Indian Institutes of Science Education and Research (IISER) and the National Institutes of Technology (NIT).

The joint venture between the Centre and Canara Bank was set up with an authorised capital of ₹2,000 crore. The Centre has put ₹1,000 crore and Canara Bank ₹100 crore for the moment.

The financing model is such that the Centre, which decided to set up the agency eight months ago, will pay interest on the amount borrowed by the institutes.

"We got approval of the registrar of companies on May 31. The next step is to take an NBFC (non-banking finance company) licence from the Reserve Bank of India. We are hopeful that HEFA would be operational from August 15," a senior government official said.

The HEFA board will be headed by the secretary of higher education, K K Sharma. The ministry has also appointed IIT-Madras director Bhaskar Ramamurthi and IIM-Indore director Rishikesh T Krishnan as directors on the seven-member board. Canara Bank, its nominated executive director, P V Bharathi and deputy general manager, U Govardhan. Independent directors are Ashok Mishra, former director of IIT-Bombay and University Grants Commission member, V S Chauhan. U Govardhan has been made chief executive officer on a non-rotational basis, meaning the management control of the company will vest with Canara Bank.

The government has called HEFA's first board meeting on Monday, where the modalities on its functioning would be decided.

Rakesh Sharma, managing director of Canara Bank, said HEFA would raise money through tax-free bonds. The government might give tax exemption to the corporate social responsibility contributions of companies and public sector undertakings to HEFA.

Fund-raising might pose a challenge. The markets had not shown any interest to a similar set-up, called the National Investment and Infrastructure Fund (NIIF), for enhancing infrastructure financing.

NIIF was set up with a targeted fund of ₹40,000 crore, of which 51 per cent was to come from foreign and domestic investors. The government's contribution was 49 per cent. Investment in the fund has been zero.

Sharma, however, was optimistic of raising funds for HEFA. Some institutes of higher education have already expressed willingness to approach HEFA. For instance, IIT-Delhi has sought a loan of ₹25 crore for creation of laboratories and other infrastructure. "We will pay back the principal amount in equal tranches over five years," said its director, V Ramgopal Rao.

FUNDING PLAN

- HEFA will lend to institutes for construction of campuses, research facilities will also renovate and expand infrastructure
- Its seven-board member include secretary higher education, directors of IIT Madras and IIM Indore. Independent directors are former IIT director Bombay Ashok Mishra, UGC member V S Chauhan. Canara Bank executive director P V Bharathi and DGM U Govardhan are other two directors.
- Management control is with Canara bank and Govardhan is CEO of HEFA
- Centre and Canara Bank to contribute ₹1,000 crore and ₹100 crore respectively
- HEFA to issue tax free bonds to raise money from financial markets
- Centre to pay interest on borrowing by higher education institutes