



Rating Rationale

Azim Premji Foundation

22 September 2020

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Rs. 12.00 Crs of Azim Premji Foundation

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (25 Sep 2019)	Present
Fund Based Overdraft	12.00	12.00	Long Term	BWR AAA/ Stable	BWR AAA/ Stable Reaffirmed
Total	12.00	12.00	(Rupees Twelve Crores Only)		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

Rating Action/Outlook:

The reaffirmation of the rating of **Azim Premji Foundation (the Foundation)** continues to positively factor in the strong promoter profile, the Foundation's overarching purpose of societal change, the identified goal of the development of public education systems and allied areas in India and the consistency and regularity in the distribution of funds from Azim Premji Philanthropic Initiatives Private Limited (APPIPL), one of the direct beneficiaries of Azim Premji Trust and Pioneer Independent Trust. The rating also factors in the group's financial flexibility arising from a significant direct shareholding in and an indirect beneficiary of Wipro shares. The rating, however, remains constrained by the challenges and exposure to regulatory risks in the education sector.

The Stable outlook indicates a low likelihood of a rating change over the medium term. BWR expects that Azim Premji Foundation's business risk profile will be maintained over the medium term. The outlook may be revised to Negative if the support from Azim Premji Philanthropic Initiatives, being a beneficiary of Azim Premji Trust and Pioneer Independent Trust, significantly declines, leading to impaired ability to support its initiatives.

Key rating drivers

Credit Strengths

- **Strong parentage:** Azim Premji Foundation is a not-for-profit organisation that has been working since 2000 with the elementary education system in rural government schools. Azim Premji Foundation receives donations from Azim Premji Philanthropic Initiatives Private Limited, one of the direct beneficiaries of Azim Premji Trust and Pioneer Independent Trust. The Trustee for Azim Premji Trust is Azim Premji Trustee Company Private Limited, a private company in which Mr. Azim Hasham Premji and Mrs. Yasmeen Azim Premji are the directors and shareholders with a 99.99% and 0.01% holding, respectively. The Trustee company is part of the promoter group of Wipro Ltd. Azim Premji Philanthropic Initiatives Pvt Ltd and Azim Premji Trust hold a 0.35% and 13.25% stake, respectively, in Wipro Ltd as on 30 June 2020. The Board of Directors of Azim Premji Foundation includes Mr. Azim Premji and his family. The sound promoter profile, strategic importance of the Foundation to the Azim Premji Group as it is one of the companies through which Mr. Azim Premji and his family undertake philanthropic activities and the presence of a shared name with Mr Azim Premji underscores the importance of the Foundation to the Group. The Foundation receives funds from Azim Premji Philanthropic Initiatives Private Limited on a regular and consistent basis. The Foundation received a donation of Rs.10.75 crs (PY Rs.12.02 crs) from Azim Premji Philanthropic Initiatives Private Limited during FY20.
- **Operating principles with focus on education and allied domains:** The Foundation is a not-for-profit organisation and has been set-up with the objective of contributing to the improvement of the public education system in India. As an implementing organisation with a serious, long-term commitment to contribute to the country's education system and part of Azim Premji Group, the Foundation continues its support to children of migrant labour in Bengaluru through bridge centres established for this purpose and various other initiatives in the domain of education.

Credit Challenges:

- **Inherent challenges in the education sector:** Equity and quality in education still remain a challenge, resulting in poor learning outcomes and reduced confidence in the public education system. The quality of academic support, both pre-service and in-service, provided to teachers, is constrained due to poor inputs, the lack of resources and a series of professional constraints. The Foundation's ability to ensure the efficient and effective continuation of its activities in this field would remain a significant monitorable.

Analytical approach

For arriving at its ratings, Brickwork Ratings (BWR) has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale). BWR has also factored in the significant operational and financial interlinkages between Azim Premji



Trust, Azim Premji Foundation for Development, Azim Premji Foundation and its group entities, and the common management team for these entities.

Rating Sensitivities

The Foundation's ability to achieve scale, along with quality, in its various programmes and engage on a continuous basis with the public education system to facilitate change is key to its continued success. The continued ability of the Foundation to receive support from APPIPL and the effective management of the various regulatory challenges in the educational development area would be key rating sensitivities.

Positive: Not applicable

Negative :

- Significant decline in donations/ funding from Azim Premji Philanthropic Initiatives Private Limited

Liquidity Position: Strong

The Foundation's liquidity position is strong, with liquid investments of Rs. 10.50 crs in mutual funds, and cash and bank balances (including term deposits) of Rs.0.05 crs as on 31 August 2020. The market value of the liquid investments is Rs.11.38 crs as on 31 August 2020. The Foundation does not have any debt on its books other than the rated short-term borrowing in the form of an overdraft facility. The utilisation of the overdraft facility is Nil as on 31 August 2020. The overdraft is secured by a corporate guarantee from Azim Premji Philanthropic Initiatives Private Limited.

Foundation Background

Azim Premji Foundation is a not-for-profit organisation incorporated under Section 25 of the Companies Act, 1956 (now u/s 8 of the Companies Act 2013) with a view to facilitate a just, equitable, humane and sustainable society. The Foundation was established in 2001 to make a significant and long-term contribution to the cause of education as a vehicle of social change in the country. The Foundation is registered under Section 12AA of the Income Act, 1961, vide letter no DIT(E) 12/Vol-I/A-912/03-04 dated 9 March 2001. The income of the Foundation is exempt from tax subject to the compliance of terms and conditions specified under the Income Tax Act, 1961.

The directors are Mr Azim Hasham Premji, Mrs Yasmeen Azim Premji, Mr Rishad Azim Premji, Mr Sharad Chandra Behar, Mr Priya Mohan Sinha and Mr Tariq Azim Hasham Premji.

Financial Performance -Azim Premji Foundation

Particulars	Unit	31 March 2019 Audited	31 March 2020 Audited
Total Operating Income	Rs. Crs	12.12	10.79
Excess of Income over Expenditure	Rs. Crs	0.18	0.15
Corpus Fund (Less Intangible assets)	Rs. Crs	20.34	20.51
Total Debt/Corpus Fund (Less Intangible assets)	Times	0.005	0.004
Current Ratio	Times	6.28	6.69

Key covenants of the rated facilities: Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for the last three years (Including withdrawal and suspended):

Sl. No.	Facility	Current Rating (Sep 2020)			Rating History		
		Type	Amount (Rs Crs)	Rating	25 Sep 2019 [^]	28 Sep 2018	18 Sep 2017
1	Overdraft	Long Term	12.00	BWR AAA/ Stable	BWR AAA/ Stable	BWR AAA/ Stable	BWR AAA/ Stable
Total			12.00	(Rupees Twelve Crores Only)			

Note: BWR had rated the bank loan facilities of Azim Premji Foundation on 05 Sep 2012 and assigned BWR AAA/Stable for the bank loan facilities of Rs.20.00 crs, Subsequently rating has been reaffirmed for bank loan facilities of Rs. 20.00 crs on 28 Nov 2013, 27 Oct 2014, 12 Oct 2015 and 20 Oct 2016.

[^] Rated amount Rs.12.00 crs.

Complexity levels of the instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

<ul style="list-style-type: none"> • General Criteria 	<ul style="list-style-type: none"> • Services Sector
<ul style="list-style-type: none"> • Approach to Financial Ratios 	

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Azim Premji Foundation

ANNEXURE I

Details of Rated Bank Loan Facilities

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Cr)	Short Term (Rs. Cr)	Total (Rs. Cr)
1.	HDFC Bank	Overdraft	10.00	-	10.00
2	State Bank of India	Overdraft	2.00	-	2.00
TOTAL - Rupees Twelve Crores Only					12.00



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