



Rating Rationale

Azim Premji Foundation

25 Sep 2019

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Rs. 12.00 crs of Azim Premji Foundation (hereafter referred to as APF or the Company)

Particulars

| Facility | Amount (Rs. Cr) | | Tenure | Rating* | |
|-------------------------|--------------------|--------------|------------------------------------|---------------------------|-----------------------|
| | Previous | Present | | Previous (28 Sep 2018) | Present |
| Fund Based Overdraft | 20.00 | 12.00 | Long Term | BWR AAA/Stable | BWR AAA/Stable |
| Total | 20.00 | 12.00 | (Rupees Twelve Crores Only) | | |

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

Rating Action/Outlook:

The reaffirmation of rating continues to positively factor the strong promoter profile, APF's overarching purpose of societal change, the identified goal of 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, one of the direct beneficiaries of Azim Premji Trust and Pioneer Independent Trust. 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 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 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 organization that has been working since 2000 with the elementary education system in rural government schools. Azim Premji Foundation receives donation from Azim Premji Philanthropic Initiatives Private Limited, one of the direct beneficiaries of Azim Premji Trust (rated BWR A1+) 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 99.99% and 0.01% holding respectively. The Trustee company is part of the promoter group of Wipro Ltd. Azim Premji Trust holds 13.22% stake in Wipro Limited as at June 30, 2019. The Board of Directors of Azim Premji Foundation includes Mr. Azim Premji and his family. The Company has received donation of Rs.12.02 crs from Azim Premji Philanthropic Initiatives Private Limited during FY19.

- **Operating principles with focus on education and allied domains:** The Company is a not-for profit organization and has been set up with the objective of contributing to the improvement of the public education system in India. As an implementing organization with a serious, long-term commitment to contribute to the country's education system, the Company continues its support to the Azim Premji Schools opened at 8 districts in the states of Chhattisgarh, Karnataka, Rajasthan and Uttarakhand as well as children of migrant labour in Bengaluru through bridge centres established for this purpose. The Company has signed an agreement with a partner organization to support its district level educational work at Hoshangabad, Madhya Pradesh with an objective to bring long term improvement in quality and equity in public education with interventions in the areas of teacher development, institution development, support to children in Government Schools and community development.

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, lack of resources and a series of professional constraints. APF's ability to ensure efficient and effective continuation of its activities in this field would be significant monitorables.

Analytical approach

BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Sensitivities

The ability of the Company 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. Continued support from the Azim Premji Trust and Pioneer Independent Trust and effective management of the various regulatory challenges in the educational development area would be the key rating sensitivities.



Liquidity Position: Strong

The liquidity position of the Company is strong with liquid investments of Rs. 10.50 crs in mutual funds and cash and bank balances (including term deposits) of Rs 0.44 crs as on 31 March 2019. The Company does not have any debt on its books other than the rated overdraft facility. Utilisation of the overdraft facility is negligible with outstanding of Rs. 0.10 crs as on 31 March 2019. The overdraft is secured by a corporate guarantee from Azim Premji Philanthropic Initiatives Private Limited.

Company Background

Azim Premji Foundation is a not-for-profit organization 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 Company 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. Azim Premji Foundation actively supports Azim Premji Foundation for Development in its various initiatives. The Company is registered under section 12AA of the income Act ,1961, vide letter no DIT(E) 12/Vol-I/A-912/03-04 dated 9 Mar 2001. The income of the Company 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

The Company's income is primarily by way of donations (~90%) and income from investments (~10%).

| Particulars | Unit | 31 March 2018 Audited | 31 March 2019 Audited |
|-----------------------------------|---------|--------------------------|--------------------------|
| Total Operating Income | Rs. Crs | 11.20 | 12.12 |
| Excess of Income over Expenditure | Rs. Crs | (0.70) | 0.18 |
| Corpus Fund | Rs. Crs | 20.11 | 20.34 |
| Total Debt/Corpus Fund | Times | 0.02 | 0.004 |
| Current Ratio | Times | 6.11 | 6.28 |

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

| Sl. No. | Facility | Current Rating (Sep 2019) | | | Rating History* | | |
|--------------|------------------|---------------------------|-----------------|------------------------------------|----------------------------|----------------------------|----------------------------|
| | | Type | Amount (Rs Crs) | Rating | 28 Sep 2018 | 18 Sep 2017 | 20 Oct 2016 |
| 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 and 12 Oct 2015.

Complexity levels of the instruments

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Services Sector](#)
- [Approach to Financial Ratios](#)

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| 1860-425-2742 | |

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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