



Rating Rationale

Azim Premji Foundation for Development

22 September 2020

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Rs. 20.00 Crs of Azim Premji Foundation for Development.

Particulars

| Facility | Amount (Rs. Crs) | | Tenure | Rating* | |
|-------------------------|---------------------|--------------|------------------------------------|---------------------------|--------------------------------------|
| | Previous | Present | | Previous (25 Sep 2019) | Present |
| Fund Based Overdraft | 20.00 | 20.00 | Long Term | BWR AAA/ Stable | BWR AAA/Stable Reaffirmed |
| Total | 20.00 | 20.00 | (Rupees Twenty 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 for Development (the Foundation)** continues to positively factor in the strong promoter profile, explicit commitment of the organisation to the development of public education systems and allied areas in India as contributors to societal change, consistency and regularity in the distribution of funds from Azim Premji Trust (APT) and Pioneer Independent Trust (PIT), and consistent increase in student intake and faculty strength at Azim Premji University. The rating, however, remains constrained by the challenges and exposure to regulatory risks in the education sector, including the capacity development of education functionaries, and talent and enhancing reach of implementing institutions.

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

Key rating drivers

Credit Strengths

- **Strong parentage:** Azim Premji Foundation for Development and Azim Premji Philanthropic Initiatives Private Limited are the beneficiaries of Azim Premji Trust (APT) and Pioneer Independent Trust (PIT). 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 APT 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 for Development includes Mr. Azim Hasham Premji, Mrs. Yasmeen Azim Premji and Mr. Tariq Azim Hasham Premji. The sound promoter profile, strategic importance of the Foundation to the Azim Premji Group as it is one of the companies through which the 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 APT and PIT, being one of the direct beneficiaries of both Trusts. It has been regularly and consistently receiving funds from PIT. It received corpus funds of Rs.189.61 crs (PY Rs. 225.14 crs) from Pioneer Independent Trust during FY20.
- **Operating principles with focus on education and allied domains:** The Foundation is a not-for-profit organisation set-up with commitment to the specific value orientation of contributing to the improvement of the Indian school education and allied developmental areas. The objectives of the Foundation are driven by the belief that education's impact on society is through changes in values and action that thinking, autonomous individuals are capable of. The Foundation's strategy essentially involves (i) directly reaching out to large numbers of teachers (and related stakeholders) and (ii) building their capacity to do good work through multiple modes of engagement. In many states, it is also engaged in large-scale educational research work that will create new knowledge and also support evidence-based policy making.
- **Consistent improvement in operations:** The Foundation has 1,000+ employees, along with Field Institutes in 46 districts across 6 states and 1 union territory - Karnataka, Rajasthan, Uttarakhand, Chhattisgarh, Madhya Pradesh, Telangana and Puducherry. Azim Premji University (started in 2011) was founded by the Azim Premji Foundation for Development (Sponsoring Body) and offers postgraduate and undergraduate programmes focusing on education and other domains of human development, for example, livelihoods, governance and policy, public health and sustainability. The University was founded as one of the key responses to the constraints and challenges that the Foundation encountered both within and in the environment, and as part of a larger strategy to contribute to the education and development sectors in the country. The University has over 1,000 students, supported by around 130+ faculty staff.

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, a lack of resources and a series of professional constraints. While currently the country invests in teacher development, investments in leadership and the managerial capabilities of education functionaries are negligible. The Field Institutes operating under the Foundation focus on collaboration with state governments to create avenues for the professional development of teachers, school leaders, teacher educators and other education officials. They also work to reform the school curriculum, teacher-education curriculum and related issues of education policy. The Foundation's ability to ensure the efficient and effective continuation of its activities in this field would remain significant monitorables.
- **Vulnerability of earnings to admissions:** The Foundation enjoys strong financial and operational support from APT and PIT, the entities controlled by the Azim Premji family, and any surplus of expenditure over income and other financial commitments, including capital expenditure, is fully met by these Trusts. However, admissions receipts and cash flows remain susceptible to variability in admissions.

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, make significant and sustained contributions through the development of talent and the creation of knowledge in the education and development sectors, ensure enhanced geographical reach 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 APT and PIT, 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 APT and PIT.

Liquidity Position: Strong

The Foundation's liquidity position is strong, with liquid investments of Rs. 287.92 crs in mutual funds, and cash and bank balances of Rs.3.80 crs as on 31 August 2020. The market value of the mutual fund investments as on 31 August 2020 is ~ Rs.289.15 crs. The Foundation does not have any debt on its books other than the rated overdraft facility. The average utilisation of the overdraft facility is around 35% with outstanding of Rs.6.98 crs as on 31 August 2020. Additionally, the overdraft is secured by a corporate guarantee from Azim Premji Philanthropic Initiatives Private Limited.

The Foundation continues to enjoy support in the form of corpus funds from APT and PIT, which effectively supports the liquidity.

Foundation Background

Azim Premji Foundation for Development 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. It was established in 2009 to make a significant and long-term contribution to the cause of education as a vehicle of social change in the country. The organisation has established Field Institutes and Azim Premji University as the institutional anchors of its work. Field Institutes are centres located in rural districts and state capitals of select Indian states, working on every aspect of school education, for example, capacity development of teachers, head teachers and functionaries, curricular improvement, textbook development, assessment reforms and education policy. Azim Premji University is a not-for-profit University, established under the Azim Premji University Act, 2010, of the Government of Karnataka, offering postgraduate and undergraduate programmes focused at education and other domains of human development, for example, livelihoods, governance and policy, public health and sustainability. Field Institutes have close linkages with the University to ensure a strong two-way connection between theory, research and actual practice.

The Foundation's excess of expenditure over income and other financial commitments, including capital expenditure, is fully funded by APT and PIT, being the beneficiary of the said Trusts. The Foundation, being the sponsoring body, has established Azim Premji University (the University) in accordance with the provisions of the Azim Premji University Act, 2010, and funds the excess of expenditure over income during the year and other financial commitments, including the capital expenditure of the University.

The directors of the Foundation are Mr. Azim Hasham Premji, Mrs. Yasmeen Azim Premji and Mr. Tariq Azim Hasham Premji.

Financial Performance -Azim Premji Foundation For Development

| Particulars | Unit | 31 March 2019 Audited | 31 March 2020 Audited |
|--|---------|--------------------------|--------------------------|
| Total Income | | | |
| <ul style="list-style-type: none"> • Academic receipts • Other income (interest, investment income and other services) | Rs. Crs | 17.22 7.62 | 18.71 10.50 |
| Excess of Income over Expenditure | Rs. Crs | (147.69) | (155.84) |
| Corpus Fund (Less Intangible assets) | Rs. Crs | 194.35 | 228.13 |
| Total Debt/Corpus Fund(Less Intangible assets) | Times | 0.004 | 0.27 |
| Current Ratio | Times | 1.05 | 0.24 |

Key covenants of the rated facilities: The terms of sanction of the rated bank loan facilities include standard covenants normally stipulated for such facilities.

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 | 20.00 | BWR AAA/ Stable | BWR AAA/ Stable | BWR AAA/ Stable | BWR AAA/ Stable |
| | Total | | 20.00 | | (Rupees Twenty Crores Only) | | |

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

Complexity levels of the instruments

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

Hyperlink/Reference to applicable Criteria

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|--|---|
| <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 For Development

**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 | 20.00 | - | 20.00 |
| TOTAL - Rupees Twenty Crores Only | | | | | 20.00 |



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