



Rating Rationale

Azim Premji Foundation for Development

25 Sep 2019

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Rs. 20.00 crs of Azim Premji Foundation for Development (hereafter referred to as APFD or the Company)

Particulars

Facility	Amount (Rs. Cr)		Tenure	Rating*	
	Previous	Present		Previous (28 Sep 2018)	Present
Fund Based Overdraft	20.00	20.00	Long Term	BWR AAA/Stable	BWR AAA/Stable
Total	20.00	20.00	(Rupees Twenty 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, the explicit commitment of the organization to the development of public education systems and allied areas in India as contributors to societal change, the consistency and regularity in distribution of funds from Azim Premji Trust (APT - rated BWR A1+) and Pioneer Independent Trust and consistent increase in student intake as well as faculty strength at the Azim Premji University. The rating, however, remains constrained by the challenges and exposure to regulatory risks in the education sector including capacity development of education functionaries and talent and enhancing reach of implementing institutions.

The 'Stable' outlook indicates a low likelihood of 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. 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. APT holds 13.22% stake in Wipro Limited as at June 30, 2019. The Board of Directors of Azim Premji Foundation for Development includes Mr. Azim Premji and his family. The Company receives funds from Azim Premji Trust (APT) and Pioneer Independent Trust (PIT), being one of the direct beneficiaries of both Trusts. The Company has received corpus fund of Rs. 225.14 crs from Pioneer Independent Trust during FY19.
- **Operating principles with focus on education and allied domains:** The Company is a not-for profit organization 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 Company are driven by the belief that education's impact on society is through the changes in values and action that thinking, autonomous individuals are capable of. The Company'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 of the states, the Company 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 Company with 1,000+ employees has Field Institutes in 45+ districts across 6 states and 1 union territory - Karnataka, Rajasthan, Uttarakhand, Chhattisgarh, Madhya Pradesh, Telangana and Puducherry. The Company also has Azim Premji University (started in 2011) offering post graduate and under graduate programmes focusing on education and other domains of human development e.g. 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 150+ 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, lack of resources and a series of professional constraints. While currently the country invests in teacher development,



investments in leadership and managerial capabilities of education functionaries are negligible. The Field Institutes operating under the Company focus on collaboration with state governments to create avenues for professional development of teachers, school leaders, teacher educators and other education officials. They also work to reform school curriculum, teacher-education curriculum and related issues of education policy. The Company's ability to ensure efficient and effective continuation of its activities in this field would be significant monitorables.

- **Vulnerability of earnings to admissions:** The Company 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

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, 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. 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.11.62 crs in mutual funds and cash and bank balances of Rs.1.24 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. 0.74 crs as on 31 March 2019. The overdraft is secured by a corporate guarantee from Azim Premji Philanthropic Initiatives Private Limited.

Company Background

The Company 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 2009 to make a significant and long-term contribution to the cause of education as a vehicle of social change in the country. The organization 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 e.g, capacity development of teachers, head teachers and functionaries, curricular improvement, text book development, assessment reform and education policy. Azim Premji University is a not-for-profit University, established under the Azim Premji University Act, 2010 of Government of Karnataka, offering postgraduate and undergraduate programmes focused on education and other domains of human development e.g. 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 Company's excess of expenditure over income and other financial commitments including capital expenditure is fully funded by Azim Premji Trust and Pioneer Independent Trust, being the beneficiary of the said Trusts. The Company, 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 capital expenditure of the University.

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

Financial Performance

The Company's total income is primarily by way of academic receipts of (~70%) and income from investments (~17%).

Particulars	Unit	31 March 2018 Audited	31 March 2019 Audited
Total Income			
• Academic receipts		15.13	17.22
• Other income (interest, investment income and other services)	Rs. Crs	5.24	7.62
Excess of Income over Expenditure	Rs. Crs	(136.80)	(147.69)
Corpus Fund	Rs. Crs	116.62	194.35
Total Debt/Corpus Fund	Times	0.005	0.004
Current Ratio	Times	1.44	1.05

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

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	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.

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	20.00	-	20.00
TOTAL - Rupees Twenty Crores Only					20.00

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