

March 13, 2024

Hasham Traders: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term bank lines – Term loans	2,000.00	2,000.00	[ICRA]AAA (Stable); Reaffirmed
Total	2,000.00	2,000.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in Hasham Traders' (Hasham) status as one of the key principal holding entities of Wipro Limited {Wipro; rated [ICRA]AAA (Stable)}. Hasham held a 16.92% stake in Wipro (overall promoter stake of 72.90%) as on December 31, 2023. Wipro's market capitalisation stood at Rs. 2.52 lakh crore, corresponding to a market value of ~Rs. 42,600 crore for Hasham's investment in the company as on February 05, 2024. In addition to its investment in Wipro, Hasham has other listed and unlisted equity investments across various sectors in domestic and overseas companies. Apart from Hasham, there are various other holding entities in Wipro's promoter group, which undertake similar equity investments. The book value of Hasham's investments (including alternative investment funds (AIFs) sponsored by the promoter group and excluding Wipro) stood at Rs. 14,658 crore as on December 31, 2023.

The rated debt is for funding certain overseas equity investments made by Hasham. The leverage on the amount of debt was 0.04 times as on December 31, 2023 against the market value of Hasham's holding in Wipro. The overall external debt across all promoter group entities for onward investments remains limited, providing strong financial flexibility to Hasham as well as the promoter group. Hasham's earnings profile and cash flows are supported by the dividend income and buybacks from Wipro apart from the gain on exit of investments.

Going forward, while income from capital gains on investments may remain opportunistic and could lead to volatility in income and profitability, Hasham's committed future investments are limited in relation to the size of its existing investments and the available liquid investments. Further, the company's liquidity is supported by Hasham's shareholding in Wipro.

ICRA takes note of Hasham's constitution as a partnership firm and hence the risk of capital withdrawal by the partners.

The Stable outlook reflects ICRA's expectation that Hasham will continue to receive support (managerial, operational and financial) from the Premji Group. It also reflects ICRA's expectation that the entity will maintain adequate earnings and market debt cover.

Key rating drivers and their description

Credit strengths

Strong financial flexibility as one of the key holding entities of Wipro – Hasham has been a part of the Premji Group since 1974 with Mr. Azim Hasham Premji and Mr. Rishad Azim Premji as partners. It is one of the key promoter entities of Wipro with a 16.92% stake as of December 31, 2023, which has remained stable. The market value of Hasham's investment stood at ~Rs. 42,600 crore as on February 05, 2024 with the total market value of the promoter group in Wipro at Rs. 1.84 lakh crore. As one of the key holding entities of the Group and given the market value of its investment in Wipro, Hasham enjoys strong financial flexibility.

Apart from its investment in Wipro's shares, Hasham has other listed and unlisted equity investments across various sectors in domestic and overseas companies and in AIFs. The book value of its investments (including AIFs sponsored by the promoter

group and excluding Wipro) stood at Rs. 14,658 crore as on December 31, 2023. These investments are also spread across the lifecycle of the investee companies and the investment horizon could span 3-7 years.

Strong credit profile of Wipro, the principal contributor of dividend income – Wipro is one of the leading information technology (IT) services companies in India with revenues of ~Rs. 90,488 crore in FY2023. Its financial profile remains strong, as reflected by its healthy operating profit margin, strong debt protection metrics, healthy cash accruals, negative net debt position and robust liquidity profile. Hasham receives significant cash flows through dividend income and buybacks from Wipro. It received dividend income of Rs. 1,323 crore during FY2020-9M FY2024. In addition, the buybacks resulted in a gain of ~Rs. 4,038 crore during FY2020-9M FY2024.

Modest leverage plans – Hasham has largely funded its investment through internally generated inflows received from dividends and through the buyback of Wipro's shares in the past few years. The debt raised by the firm remains modest and is for funding certain overseas equity investments made by the Group. Hasham generated cash inflow from the exit of certain investments, which was used to partly prepay its debt in FY2024. The debt stood at 0.04 times against the market value of Hasham's holding in Wipro. The overall external debt across all the promoter group entities remains limited. Further, the borrowings across the promoter group entities are unlikely to increase materially, thereby providing strong financial flexibility to Hasham as well as the promoter group.

Credit challenges

Profitability and cash flows could be volatile, depending on monetisation of investments – Hasham is an investment firm, which is dependent on the dividend flow from its key investee company – Wipro. Further, income from capital gains on other investments (excluding Wipro) may remain opportunistic, which could lead to volatility in income and profitability. The cash flow is dependent on the monetisation of investments, which may depend on the changing market, business and industry dynamics. ICRA draws comfort from the sizeable investment in Wipro, which can be liquidated if needed.

Constitution as partnership firm and risk of capital withdrawal – ICRA notes that Hasham is a partnership firm and significant withdrawals from the capital account by the partners could impact its net worth and capital structure. The firm had net capital infusions of Rs. 441 crore and Rs. 963 crore in FY2023 and FY2022, respectively (after withdrawal of Rs. 904 and Rs. 89 crore in FY2023 and FY2022, respectively).

Liquidity position: Superior

Hasham has liquid assets in the form of liquid mutual funds of Rs. 191 crore, as on December 31, 2023, to service the total scheduled interest payments of Rs. 78 crore till June 2024. The next principal repayment for the borrowings is due in November 2024. Its liquidity is supported by the market value of the listed share investments including Wipro's shares, which was ~Rs. 42,600 crore as on February 05, 2024. Further, the investment in listed securities through group AIFs (book value of Rs. 4,096 crore as on December 31, 2023) supports the liquidity.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be downgraded if the market value of Hasham's unencumbered equity shares in listed companies goes below 10 times of its external debt (excluding debt from Group companies) on a sustained basis. It could also be downgraded on a deterioration in Wipro's credit profile or a material decline in the promoter shareholding in Wipro.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Investment Companies
Parent/Group support	NA
Consolidation/Standalone	The rating is based on the standalone financial statements of the entity

About the company

Hasham is a part of the promoter group of Wipro Limited and currently holds a 16.92% stake in Wipro. The firm's partners are Mr. Azim Hasham Premji, Mr. Rishad Azim Premji, M/s. Apex Trust, represented by its trustee – M/s Azim Premji Trust Services Pvt Ltd, and Mr. Srinivasan Pagalthivarti. The partner's capital stood at Rs. 9,934 crore as on March 31, 2023 against Rs. 8,787 crore on March 31, 2022. The firm reported a profit after tax (PAT) of Rs. 705 crore in FY2023 compared to Rs. 1,682 crore in FY2022.

Key financial indicators

Hasham Traders	FY2022	FY2023	9M FY2024 [#]
Total income	2,024	1,126	2,181
Profit after tax	1,682	705	1,968
Capital funds	8,965	9,993	13,029
Total debt	1,919	1,926	1,451
Market value of quoted investments	55,202	33,940	42,634*
Market cap/Debt cover (times)	28.8	17.6	29.4
Total assets (at book value)	10,895	11,927	15,432

Source: ICRA Research; Amount in Rs. crore; [#]Provisional

*Market value as on February 05, 2024 (BSE)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Feb 29, 2024 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Mar 13, 2024	Feb 28, 2023	Dec 31, 2021	
1 Long-term bank lines – Term loans	Long term	2,000.00	1,439.58	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	NA

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term bank lines – Term loans	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan-I	Nov-21-2022	Repo Linked	Nov-21-2027	300.00	[ICRA]AAA (Stable)
	Term loan-II	Nov-24-2021	Repo Linked	Nov-24-2024	326.83	[ICRA]AAA (Stable)
	Term loan-III	Mar-23-2022	Repo Linked	Mar-23-2027	215.88	[ICRA]AAA (Stable)
	Term loan-IV	Mar-23-2022	Repo Linked	Mar-23-2027	375.87	[ICRA]AAA (Stable)
	Term loan-V	Mar-23-2022	Repo Linked	Mar-23-2027	221.00	[ICRA]AAA (Stable)
NA	Proposed term loan – Unallocated	-	-	NA	560.42	[ICRA]AAA (Stable)

Source: Hasham; Data as on February 29, 2024

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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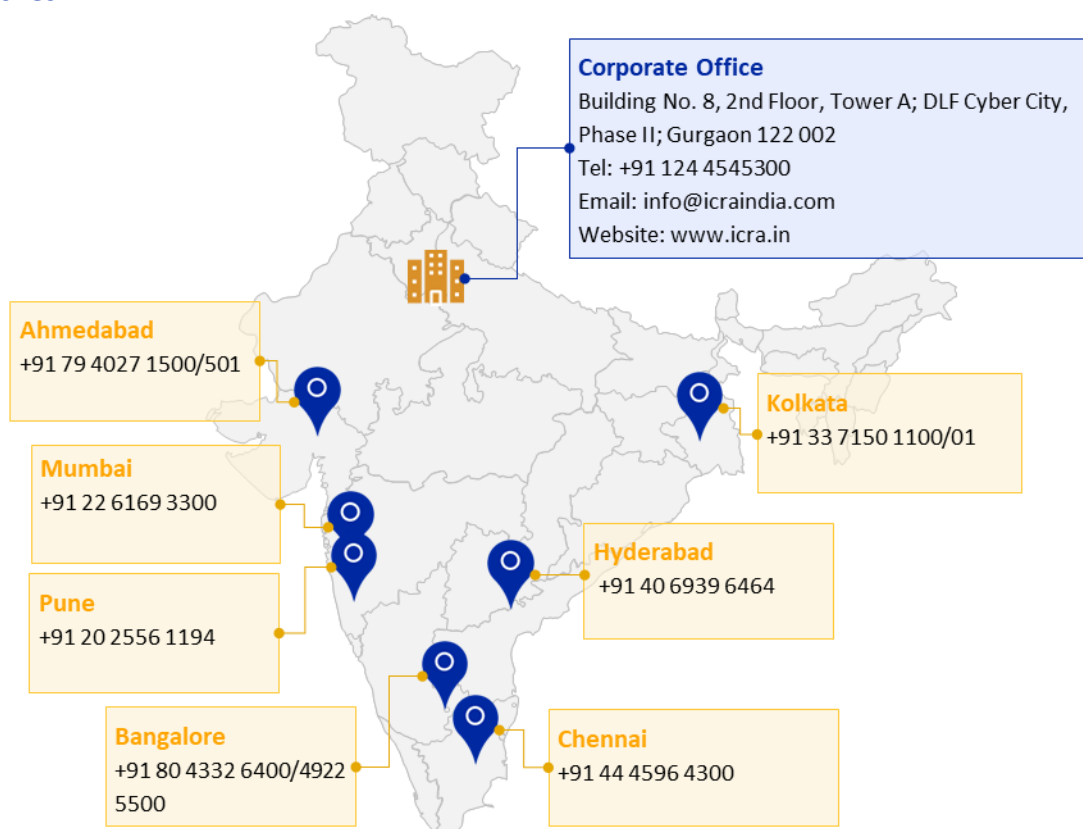


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