

Hasham Investment & Trading Company Private Limited

November 06, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper Programme	1000.00	1000.00	[ICRA]A1+ / reaffirmed
Total	1000.00	1000.00	

Rating action

ICRA has reaffirmed the rating of [ICRA]A1+ (pronounced ICRA A one plus)¹ to the Rs.1000.00 crore Commercial Paper Programme of Hasham Investment & Trading Company Private Limited (HITCPL / the company).

Rationale

The rating factors in the strong parentage of the company, by virtue of being a wholly owned subsidiary of Azim Premji Trust (APT; *rated [ICRA]A1+*), which is the core investment vehicle of the Premji Family. Azim Premji Trust is managed by its trustee Azim Premji Trustee Company Private Limited (APTCL) which forms a part of the promoter group of Wipro Limited (*Wipro; rated [ICRA]AAA (Stable) / [ICRA]A1+*). HITCPL is of strategic importance to APT by virtue of it being a holding company of the various investment entities of the Premji family; the presence of Mr Azim Premji on the company's board further underscores its relevance.

The rating also factors in the company's adequate liquidity position backed by investments in liquid mutual funds, significant indirect interests in Wipro Limited (*Wipro, rated [ICRA]AAA(stable)/[ICRA]A1+*) and the consequent financial flexibility associated with the same. The rating also takes into consideration the company's revenue profile supported by regular dividend inflow and modest leveraging plans over the medium to long term. ICRA, however, takes note of the HITCPL's business of investment in equity stocks and private equity investments (albeit diversified across sectors) which is prone to the volatilities of the capital market. However, the strong profile and long track record of company's investment management team with experience in Indian and global equity markets provide some comfort.

Key rating drivers

Credit strengths

Strong ownership and Board of Directors: HITCPL is a wholly owned subsidiary of Azim Premji Trust (APT). APT is managed by its trustee Azim Premji Trustee Company Private Limited (APTCL) which forms a part of the promoter group of Wipro Limited (*Wipro; rated [ICRA]AAA (Stable) / [ICRA]A1+*). APT serves as the asset holding entity of the Premji Family's philanthropic activities and has Azim Premji Philanthropic Initiatives Private Limited and Azim Premji Foundation for Development as its beneficiaries which undertake philanthropic activities on behalf of Mr. Azim Premji. HITCPL has Mr. Azim Hasham Premji (promoter) and Ms. Yasmin Azim Premji on its board of directors. The strength of the board, the underlying nature of the activities undertaken by the ultimate beneficiary companies and the name sharing with the underscores HITCPL's importance to the Premji family.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Strong investment management team with considerable experience of investing in the domestic and foreign equity markets: APT, along with its subsidiary HITCPL and the partnership firms under the Apex Trust² (namely M/S Hasham Traders, M/S Prazim Traders and M/S Zash Traders) house the Premji family's investment portfolio. These entities together also hold the Premji family's stake in Wipro to the extent of 69.75 % shareholding as on September 30, 2018. The entire corpus of investment is managed by the investment team of APT. The investment team comprises of individuals with considerable experience of investing both in the domestic and foreign equity markets (especially in the US markets).

Beneficiary of Apex Trust: HITCPL, along with APT is a beneficiary of the Apex Trust which has a 35% stake in three partnership firms namely, M/S Hasham Traders, M/S Zash Traders and M/S Prazim Traders which in turn collectively held 56.1% stake in Wipro as on September 30, 2018. Apex Trust, and consequently HITCPL, has access to stable revenue stream supported by the regular dividend inflow from Wipro. In the past, Wipro had a dividend payout ratio of 50% in FY2018, 100% in FY2017, 300% in FY2016 and 600% in FY2015. HITCPL thus has access to significant cash flows through dividends which supplements its investment income.

Comfortable capital structure and liquidity: HITCPL had borrowings to the extent of Rs.628.9 crore as on March 31, 2018 with comfortable gearing of 0.1x. Over the medium to long term, the company intends to maintain a leverage of < 0.5 times. ICRA takes comfort in the low gearing plans of the company and the presence of liquid investments in mutual funds and the sanctioned limits from non-banking finance companies which would support the company's cash flow position.

Credit weaknesses

Inherent cyclical and volatility associated with investment in equity capital markets: Notwithstanding the strong investment management team, the underlying business of HITCPL of undertaking long term investments in listed and unlisted equity shares and in alternate investment funds (AIFs) and limited liability partnerships (LLPs) remains vulnerable to the volatilities in the overall capital markets. The cash flows of the company are thus expected to remain volatile with the concern being mitigated to some extent by the presence of liquid investments and mutual funds held by the company providing cushion to some extent.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

ICRA has taken a consolidated view of Azim Premji Trust, its subsidiaries (including HITCPL) given the strong business and financial interlinkages and the common investment and management team for these entities.

Links to applicable criteria:

[ICRA's Credit Rating Methodology for Non-Banking Finance Companies](#)

About the company:

HITCPL is a wholly owned subsidiary of the Azim Premji Trust, represented by its Trustee, Azim Premji Trustee Company Private Limited, which is a part of the promoter group of Wipro Limited. HITCPL is currently registered as an NBFC and is in the process of obtaining CIC license and was incorporated in 1983 as a vehicle for rendering investment advisory services to venture capital entities of the group and also manages the assets of entities controlled by Mr. Azim Premji, Chairman of Wipro Limited. Subsequent to an RBI circular dated 30th March 2011, prohibiting NBFCs from being partners in partnership firms, there was an internal restructuring within the group, whereby Napean Investment and

² APT is a direct beneficiary of Apex Trust to the extent of 35% of the income generated by the latter

Trading Company Private Limited (NITCL), Regal Investment and Trading Company Private Limited (RITCL) and Vidya Investment and Trading Company Private Limited (VITCL) were amalgamated with HITCPL.

HITCPL had a net worth of Rs.5,531 crore as on March 31, 2018. In FY2018, the company reported a PAT of Rs.204 crore on a total income of Rs.306 crore as compared to a reported PAT of Rs. 148 crore on a total income of Rs.281 crore in FY2017.

Key Financial Indicators

	FY2017	FY2018
Total Income (Rs. Crore)	280.54	305.83
Profit after Tax (Rs. Crore)	147.65	204.17
Net worth (Rs. Crore)	5274.92	5530.78
Total Managed Assets (Rs. Crore)	5,321.17	6,261.99
Return on Managed Assets (%)	2.84%	3.53%
Return on Net worth (%)	2.86%	3.78%
Gearing (times)	0.00	0.11
Gross NPA (%)	0.0	0.0
Net NPA (%)	0.0	0.0
Capital Adequacy Ratio (%)	-	-

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Type	Amount Rated (Rs. crore)	Chronology of Rating History for the past 3 years			
				FY2019	FY2018	FY2017	FY2016
				Nov 2018	Oct 2017	-	-
1	Commercial Paper	ST	1000.0	[ICRA]A1+	[ICRA]A1+	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Commercial Paper	NA	NA	7-365 days	1000.00	[ICRA]A1+
	Total				1000.00	

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