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IST

Azim Premji makes Rs8,846 crore gift

Wipro shares to be transferred to trust, which will use endowment to fund various social causes

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Bangalore: Wipro Ltd chairman Azim Premji has transferred 213 million shares, equal to an 8.7% stake in the company in which he held 79.5% at the end of September, and valued at Rs8,846 crore to an eponymous trust as an endowment, to fund the development activities of the Azim Premji Foundation.

Premji controls the trust— which will be managed by a chief endowment officer, K.R. Lakshminarayana, currently Wipro's chief strategy officer—and retains voting rights on the shares, the company said in a notice to stock exchanges. The transfer of shares will be effected by 7 December. Premji's son Rishad Premji is set to take over as chief strategy officer in January.

"This sets a great example," said Arpan Sheth, partner at Bain and Co., and author of Bain's India Philanthropy Report.

"I believe this is a powerful moment for philanthropy in India— this is a highly visible and substantial investment by Mr Premji," Sheth said. "My hope is that this is a harbinger of things to come in philanthropy as other leading businessmen think about their legacy and their contribution to the nation."

The transfer is a gift to the charitable trust with no "beneficial ownership", said Hiroo Advani, senior partner at Advani and Co., a Mumbai-based legal firm. "But he will have controlling voting rights from trustees, in case of an issue."

Anurag Behar, co-CEO of the foundation, which works primarily in the area of education, said it would be significantly scaling up its social and developmental activities, including work on the setting up and administration of a university in Bangalore, over the next few years. Behar is also a columnist for *Mint*.

Dileep Ranjekar, the other co-CEO, said the transfer had nothing to do with Indian capital market laws about listed companies needing to have at least 25% public holding. "This has got nothing to do with dilution at all. He is transferring the shares to an irrevocable trust, which will be controlled by him, and it will be sold only as and when the fund manager requires. So, in fact, it is not a dilution at all," Ranjekar said. "The university is going to require something like Rs250 to Rs300 crore a year to support. Moreover, given all our activities, we will scale up to 5,000 people from the current 300, over the next five years."

Based on the 300% dividend Wipro declared in 2009-10, the 213 million shares would have earned Rs127.8 crore.

The irrevocability of the trust means that its mandate and terms of creation cannot be changed, even by Premji.

Behar, said the university will start admissions next year with 200 students and scale up to 3,400 in the next five-six years. The foundation's programmes touch the lives of 2.5 million children, he added.

Behar declined to give details of previous endowments by Premji, if any. The foundation has been in operation for the last nine years, and the value of the new endowment is significantly more than what it has spent over this period, he said.

In a statement issued by the foundation, Azim Premji said: "We believe that good education is crucial to building a just, equitable, humane and sustainable society. All our efforts, including the university that we are setting up, are focused on the underprivileged and disadvantaged sections of our society."

The Karnataka government recently approved the formation of the Azim Premji University under a special legislative Act. Among its objectives, the university hopes to build the capacity of existing functionaries in the education sector—both government and private—through continuing education

programmes and high quality research relevant to India.

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