May 02, 2023

Wipro GE Healthcare Pvt. Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-fund based – LC/BG	400.00	400.00	[ICRA]AA(Stable)/[ICRA]A1+ reaffirmed
Total	**400.00**	**400.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation factors in Wipro GE Healthcare Pvt. Ltd.'s (WGE) leading position in the domestic medical equipment industry, supported by its diverse product/services portfolio and a strong servicing network. Further, the company derives technological and operational support from its strong parentage of two reputed and leading business conglomerates—GE Healthcare Technologies Inc (GEHC) and Wipro Enterprises (P) Limited (WEPL).

WGE's financial risk profile has continued to improve in FY2022 and FY2023, driven by strong internal cash generation, debt-free status and strong coverage metrics. The company's revenue witnessed a robust growth of ~24% YoY in FY2022 after moderation in FY2021 owing to the pandemic. There was healthy revenue growth in FY2023 as well. The company's liquidity position remains strong on the back of healthy internal accrual generation, sizeable cash balances, no debt repayment liability and limited capex requirements.

ICRA also notes that WGE incorporated a wholly-owned subsidiary - Wipro GE Medical Device Manufacturing Private Limited - in FY2022 for manufacturing various components for medical devices. The entity started operations in FY2023 and has ramped up its operations at a healthy pace. Going forward, WGE does not have any major capex plans. ICRA notes that GE Inc, USA, has completed the demerger of its healthcare business into a separate entity - GEHC - and the ownership of GE Inc in WGE has been transferred to GEHC. ICRA does not expect the demerger to impact the operational capabilities of WGE as it is still owned by GEHC which houses all the healthcare units that were earlier under GE Inc. Thus, no challenge is expected in terms of technological availability or change in the operational linkages of WGE with other GE entities engaged in the healthcare business.

The ratings, however, are constrained by WGE's moderate profit margins owing to sizeable revenue contribution from the sales of equipment imported by the company, competition in the industry and the susceptibility of its profitability/operations to any adverse changes in Government regulations/policy on the duty structure of imports and any imposition of pricing control on medical equipment sold by the company. The ratings also factor in WGE's dependence on the GE Group for technology sharing, sourcing of medical equipment, royalty, etc. Any change in these terms can impact the company's operations. Also, the ratings factor in the exposure of profitability to the commodity price fluctuation risk.

The Stable outlook reflects ICRA's expectation that WGE will continue to benefit from its established position in the industry, strong parentage and comfortable financial profile; enabling it to sustain its liquidity position.

Key rating drivers and their description

Credit strengths

Leading player in the medical equipment industry – WGE has an established operational track record and its management/parent company (GEHC) has extensive experience in the medical equipment industry. Over the years, it has emerged as one the leading players in the domestic medical equipment industry with a wide product portfolio and a strong service network. The company's revenue stream is diversified, given its presence in both domestic sales and exports. Apart from the domestic sale of medical equipment, WGE is involved in the export of components as well as providing software/IT and ITeS support services to the GE Group companies globally. As a result, the customer base is well-diversified with sales to global Group companies as well as a large number of customers in the domestic market, including reputed private sector corporates and Government organisations.

WGE continues to benefit from technological and operational support of strong parent entities – WGE is a joint venture (JV) of two reputed and leading business conglomerates—GE Healthcare Technologies Inc. (GEHC, earlier healthcare business of GE which was spin-off from General Electric in January 2023) and WEPL—in a 51:49 share, respectively. The company has the technological and operational support of its strong parentage. GEHC is among the leading players in the global healthcare equipment industry with presence across multiple application/product categories. WEPL is one of the major players in the fast-moving consumer goods (FMCG) business, lighting, office furniture and is also present in the infrastructure and engineering business. WEPL provides strategic and operational business support.

Comfortable financial profile – WGE's financial profile is comfortable, with sizeable scale of operations, healthy internal accrual generation and strong return indicators. The company continues to remain debt-free with robust coverage metrics. The revenue and cash generation for the company has witnessed significant uptick in FY2022 and FY2023. The cash generation is expected to remain robust going forward as well driven by the strong technical capabilities as well as leadership position in the medical devices segment.

Strong liquidity position – The company's liquidity position remains strong, supported by healthy internal accrual generation, sizeable free cash balance, no debt repayment liability and low working capital intensity.

Credit challenges

Moderate profit margins – The company has moderate profit margins due to sizeable revenue contribution from the sale (trading in nature) of equipment imported by it, which entails low profitability and competition, especially in the relatively low-ticket healthcare monitoring equipment segment. WGE's operating margin improved to 9.9% in FY2022, driven by healthy growth in revenue and margins across segment. The margins, nonetheless, remain modest given the major share of the trading business in revenues.

Exposure to change in business terms/policies – WGE's business is also dependent on its terms with the GEHC Group, related to technology sharing, royalty and transfer pricing arrangements. Any change in these can impact the company's business profile. Also, changes in Government regulations/policy on the duty structure of imports and level of imports and any imposition of pricing control on medical equipment can impact the profitability of industry participants, including WGE.

Exposure to foreign exchange risk – As a sizeable part of equipment/raw material requirement is met through imports, the company remains exposed to currency fluctuations to the extent of the unhedged exposure. However, there is a natural hedge from exports and it also has a hedging mechanism for reducing the impact of fluctuations in foreign exchange rates.

Liquidity position: Strong

WGE's liquidity is strong, supported by healthy internal accrual generation, sizeable free cash balances (~Rs. 2000 crore as on March 2023 end) and no debt repayment liability. This, coupled with low/negative working capital intensity, has led to the company's debt-free status. Moreover, cash flow indicators such as fund flow from operations and retained cash flows are expected to remain positive. While ICRA notes that the company has completed a buyback of around $70 million in FY2023 and plans to undertake further buybacks in the forthcoming years as well to the extent of $35-40 million annually, the liquidity position is expected to remain strong, given the robust cash generation expected from operations and no major capex or repayment obligations in the near to medium term.

Rating sensitivities

Positive factors - Healthy revenue growth and considerable improvement in profit margins on a sustained basis, while maintaining strong liquidity and comfortable capital structure, could lead to an upgrade.

Negative factors – Pressure on revenue and profitability, significant upstreaming of funds to JV partners on a sustained basis, leading to pressure on the liquidity position or reduced financial flexibility, could trigger a downgrade. Additionally, any weakening of the operational linkages with the JV partners could also lead to a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of WGE. As on March 31, 2022, WGE had three subsidiaries and one associate (Details in Annexure-II)

About the company

Wipro GE Healthcare Pvt. Ltd. (WGE) is a joint venture (JV) of two leading business conglomerates - GE HealthCare Technologies Inc (GEHC; earlier GE Inc held 51% stake but after demerger of the healthcare business in Jan 2023, the ownership was transferred to GE Healthcare Technologies} and Wipro Group (through Wipro Enterprises (P) Limited; WEPL) with 51:49 share, respectively, in the JV. WGE was incorporated in March 1990 and is involved in the manufacturing and distribution of medical equipment and providing technical/software support services to GE group companies globally. The company's manufacturing plants are in Bengaluru (Karnataka).

Key financial indicators (audited)

WGE Consolidated	FY2021	FY2022
Operating income (All lower except first letter and bold)	5,112.2	6,342.1
PAT	276.1	431.4
OPBDIT/OI	8.1%	9.8%
PAT/OI	5.4%	6.8%
Total outside liabilities/Tangible net worth (times)	1.5	1.4
Total debt/OPBDIT (times)	0.2	0.1
Interest coverage (times)	18.9	38.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					2- May-23	-	18-Feb-22	24-Nov-20
1	Non-fund based	Long term/Short Term	400	-	[ICRA]AA(Stable) / [ICRA]A1+	-	[ICRA]AA((Stable) / [ICRA]A1+	[ICRA]AA((Stable) / [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short -term – Non-fund-based	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	**Non-fund based**	NA	NA	NA	400.0	[ICRA]AA(Stable)/[ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	LTHL Ownership	Consolidation Approach
Wipro GE Healthcare Pvt. Ltd.	100.00% (rated entity)	Full Consolidation
Wipro GE Medical Device Manufacturing Private Limited	100%	Full Consolidation
GE Healthcare Bangladesh Limited	100%	Full Consolidation
General Electric Healthcare Lanka (Private) Limited	100%	Full Consolidation
Genworks Health Private Limited	15.1%	Equity method

Source: WGE's Annual report for FY2022

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