August 30, 2024

Wipro GE Healthcare Pvt. Ltd.: Ratings reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-fund based – LC/BG	400.00	607.50	[ICRA]AA(Stable)/[ICRA]A1+; reaffirmed and assigned for enhanced amount
Fund-based limits - Working capital	0.00	80.00	[ICRA]A1+ assigned
Total	**400.00**	**687.50**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings assigned to the bank lines of Wipro GE Healthcare Pvt. Ltd. (WGE/the company) factors in its 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 FY2023 and FY2024, supported by its strong market position in the healthcare devices sector, resulting in a revenue growth of ~6% YoY in FY2024 with an improvement in the operating profits as well.

The ratings are also supported by the strong liquidity position of the company, arising from healthy operating profits, low working capital intensity of the business and no major capex undertaken in the recent past. The company had ~Rs. 2,811-crore free cash at the end of FY2024 with largely unutilised fund-based limits of around Rs. 80 crore.

The ratings, however, are constrained by WGE's moderate profit margins owing to the sizeable revenue contribution from the sales of equipment imported by the company, the 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 the medical equipment sold by the entity. The ratings also factor in WGE's dependence on the General Electric Healthcare (GEHC) 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 commodity price fluctuation risk.

ICRA notes that the company has announced an investment of Rs. 8,000 crore over the course of the next five years in ramping up its manufacturing base and expanding its local research & development (R&D) in India. The manufacturing expansion will be aimed at exporting various medical devices from India to around 15 countries. ICRA expects WGE's credit profile to remain stable over the course of the next three years as the capex is expected to be largely funded through internal accruals and the sizeable liquidity at hand. At present, WGE does not have debt on its books and, thus, has a healthy cushion to raise debt to partially fund the capex programme while maintain a healthy credit profile. However, given the sizeable capex plans, the company will be exposed to project execution risks. The impact of the investments and the funding plan on the credit profile will remain a key monitorable, going forward.

The Stable outlook on the rating reflects ICRA's expectation that WGE will continue to benefit from its established position in the medical devices industry, which will enable the company to maintain healthy cash generation and have a comfortable credit profile despite the sizeable investments.

Key rating drivers and their description

Credit strengths

Leading player in 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 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 GE Group companies globally. As a result, the customer base is well diversified with sales to global Group companies as well as to 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 enjoys the technological and operational support from its strong parents. 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 and office furniture and is also present in the infrastructure and engineering businesses. WEPL provides strategic and operational business support.

Comfortable financial profile - WGE's financial profile is comfortable, with a sizeable scale of operations, healthy internal accrual generation and strong return indicators. The company continues to be debt-free with robust coverage metrics. While the company plans to undertake sizeable investments over the next few years, the overall financial risk profile will remain healthy as the investments are expected to be met largely through internal accruals and the free cash at hand.

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. The company had around Rs. 2,811 crore of free cash on its books at the end of FY2024, which along with low working capital intensity, will support its overall liquidity position.

Credit challenges

Moderate profit margins - The company has moderate profit margins due to the sizeable revenue contribution from the sale (trading in nature) of equipment imported by it, which entails low profitability and competition, especially in the relatively lower ticket value healthcare monitoring equipment. WGE's operating margin improved to 10.7% in FY2024, driven by a healthy growth in revenue and margins across segments. 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 dependent on its terms with the GEHC Group related to technology sharing, royalty and transfer pricing arrangements. Any change in these terms can impact the company's business profile. Also, changes in Government regulations/policy on the duty structure of imports, the level of imports and any imposition of pricing control on medical equipment can impact the profitability of the industry participants, including WGE.

Exposure to foreign exchange risk - As a sizeable part of the 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 the exports being done by the company and it also has a hedging mechanism for reducing the impact of fluctuations in foreign exchange rates.

Liquidity position: Strong

WGE's liquidity position is expected to remain strong, supported by free cash balances of ~Rs. 2,811 crore as on March 31, 2024, unutilised fund-based limits of Rs. 80 crore and retained cash flow in the range of Rs. 650 to Rs. 800 crore per annum, going forward. While the company plans to make sizeable investment to augment its capacity and the localisation level of its R&D in India, the liquidity profile is expected to remain robust because of the healthy cash generation and current liquidity at hand.

Rating sensitivities

Positive factors – Healthy revenue growth and a material improvement in profitability on a sustained basis amid a 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. The weakening of the operational linkages with the JV partners could also lead to a downgrade. Any higher than expected debt funded capital expenditure leading to sustained moderation in the liquidity and credit profile may also trigger a rating 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, 2024, 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) and the Wipro Group {through Wipro Enterprises (P) Limited; WEPL} with a 51:49 share, respectively, in the JV. ; Earlier, GE Inc held a 51% stake in WGE but after the demerger of the healthcare business in January 2023, the ownership was transferred to GE HealthCare Technologies. WGE was incorporated in March 1990 and is involved in the manufacturing and distribution of medical equipment and providing technical/software support services to GEHC Group companies globally. The company's manufacturing plants are in Bengaluru (Karnataka).

Key financial indicators (audited)

	FY2023	FY2024
Operating income	7,049.7	7,490.7
PAT	480.0	611.7
OPBDIT/OI	9.0%	10.7%
PAT/OI	6.8%	8.2%
Total outside liabilities/Tangible net worth (times)	1.6	1.7
Total debt/OPBDIT (times)	0.1	0.1
Interest coverage (times)	38.3	67.5

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 (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Aug 30,2024	May 02,2023	-	Feb 18,2022
1	Non-fund based	Long term/Short Term	607.50	[ICRA]AA((Stable) / [ICRA]A1+	[ICRA]AA (Stable) / [ICRA]A1+	-	[ICRA]AA (Stable) / [ICRA]A1+
2	Fund-based limits - Working capital	Short term	80.00	[ICRA]A1+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/Short term – Non-fund based	Simple
Fund-based limits - Working capital	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	607.50	[ICRA]AA((Stable) / [ICRA]A1+
NA	**Fund-based limits - Working capital**	NA	NA	NA	80.00	[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	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 FY2023

ANALYST CONTACTS

Girish Kumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545322
prashant.vasisht@icraindia.com

Varun Gogia
+91 987 115 6542
varun.gogia1@icraindia.com

Mohika Kundara
+91 95991 33619
mohika.kundara@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches