February 18, 2022 (Revised)

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)/A1+; reaffirmed
Total	**400.00**	**400.00**	

Instrument details are provided in Annexure-1

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 strong servicing network. Further, the company derives technological and operational support from its strong parentage of two reputed and leading business conglomerates—General Electric Company (GE) and Wipro Enterprises (P) Limited (WEPL).

WGE financial performance has remained steady in FY2021, with healthy internal accrual generation, a debt-free status and strong coverage metrics. Notwithstanding the company's strong business position, lower offtake of premium medical equipment due to the adverse impact of the pandemic resulted in a moderation of the revenues by 5% in FY2021. Nonetheless, with the pick-up in sales, the company is expected to report a moderate revenue growth in the current fiscal. Also, the company's liquidity position remains strong on the back of healthy internal accrual generation, sizeable cash balance and advances to the GE pool, no debt repayment liability and limited capex requirements.

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 factors in the exposure of profitability to the commodity price fluctuation risk. ICRA has also taken note of the sizeable contingent liabilities, largely arising out of income/wealth tax-related matters.

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 medical equipment industry – WGE has an established operational track record and its management/parent company (GE) 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 domestic sales of medical equipment, WGE exports components as well as provides 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 a large number of customers in the domestic market, including reputed private sector corporates and Government organisations.

Technological and operational support from strong parent entities – WGE is a joint venture (JV) of two reputed and leading business conglomerates—GE and WEPL—in a 51:49 share, respectively. The company enjoys technological and operational support due to its strong parentage. GE 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 business. 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 remain debt-free with robust coverage metrics. Lower offtake of premium medical equipment due to the pandemic is expected to result in a moderate revenue growth and profitability in FY2022. Nevertheless, the company's liquidity position remains comfortable.

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 healthcare monitoring equipment which has lower ticket value. WGE's operating margins stood at ~7.6% in FY2021. The company's margins in FY2022 are expected to be ~8%, with muted revenue growth expectation.

Exposure to change in business terms/policies – WGE's business is also dependent on its terms with the GE 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 or level of imports and any imposition of pricing control on medical equipment along with raw material price fluctuation can impact the profitability of industry participants, including WGE.

Liquidity position: Strong

WGE's liquidity is strong, supported by healthy internal accrual generation, sizeable cash balance and no debt repayment liability. ICRA notes that the cash pool balances (~Rs. 1,650 crore as of January 22, 2022), which are part of a common inter-group lending pool, are highly liquid, recallable in 2-3 days' notice, as indicated by the company's management. 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.

Rating sensitivities

Positive Factors- The ratings can be upgraded if the company demonstrates a steady revenue growth and improvement in profit margins on a sustained basis, while maintaining strong liquidity and a comfortable capital structure.

Negative Factors – Factors that could lead to a rating downgrade include pressure on revenues and profitability, significant upstreaming of funds to JV partners on a sustained basis squeezing the liquidity, or reduced financial flexibility for being unable to timely recall the cash pool balances, if required. Additionally, any weakening of the linkages with the JV partners could lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	[Corporate Credit Rating Methodology](#)
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

About the company

WGE is a JV of two leading business conglomerates—GE and WEPL—in a 51:49 share. The company was incorporated in March 1990 and is involved in the manufacturing and distribution of medical equipment, besides providing technical support services to GE healthcare global companies. Its manufacturing plants are in Bengaluru (Karnataka).

Key financial indicators

WGE	FY2020	FY2021
Operating Income (Rs. crore)	5,340.7	5,063.8
PAT (Rs. crore)	301.5	283.0
OPBDIT/OI (%)	5.9%	7.6%
RoCE (%)	26.8%	23.4%
Total Outside Liabilities/Tangible Net Worth (times)	1.3	1.5
Total Debt/OPBDIT (times)	0.0	0.0
Interest Coverage (times)	8.8	17.8
DSCR (times)	11.6	16.9

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); Core ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress-investments-loans and advances-liquid investments-cash and bank balance); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year), *Provisional.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2021 (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Feb 18, 2022	Nov 24, 2020	Aug 30, 2019	-
1	Non Fund based – BG/LC	Long-term and Short-term	400.00	-	[ICRA]AA (Stable)/A1+	[ICRA]AA (Stable)/A1+	[ICRA]AA (Stable)/A1+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non Fund based – BG/LC	Very 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, is available on ICRA's website: Click Here

Annexure-1: Instrument details

ISIN No/Banker's name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Non Fund based – BG/LC	NA	NA	NA	400.00	[ICRA]AA (Stable)/A1+

Annexure-2: List of entities considered for consolidated analysis- Not applicable

Corrigendum

Document dated February 18, 2022 has been corrected with revision as detailed below:

1) The phrase 'moderation in the revenue and profitability in the current fiscal' is replaced by 'moderate revenue growth and profitability in FY2022' in the credit strength section on page no. 2
2) The parent/group support in the analytical approach on page no. 3 has been deleted

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