Wipro Enterprises (P) Limited

April 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating - Issuer rating	0.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	2,600.00	CARE AAA; Stable	Reaffirmed
Long-term / Short-term bank facilities	3,000.00	CARE AAA; Stable / CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the issuer rating and the non-convertible debentures (NCD) instrument and ratings assigned to bank facilities of Wipro Enterprises (P) Limited (WEL) derive strength from the company's strong business profile with the company owning some of the reputed brands in the personal care segment having strong brand recall with considerable market share and significant presence in automation and hydraulic segments. The company's consumer care and lighting (CCLG) division brands continue to maintain dominant market presence in the segment and geographies it operates. The overall sales grew by 23% in FY23 driven by a 40% and 15% y-o-y growth in infrastructure engineering division and Consumer Care business, respectively. The growth in the consumer care business was driven by increase in toiletries sales and lighting revenue growth was driven by revival of institutional demand. Ratings also positively factor in its strong financial risk profile marked by consistent income growth and cash accrual, strong financial flexibility derived from robust net worth, negative net debt position, and superior liquidity. Being part of the Wipro group and having significant ownership by the resourceful promoter, Azim Premji, and WEL's diversified revenue profile also strengths the rating. These credit strengths far outweigh the risks arising out of exposure to macroeconomic, political and currency risks in overseas geographies, presence in intensely competitive fast-moving consumer goods (FMCG) industry and susceptibility to raw material price movements. The profit before interest, lease rentals, depreciation and taxation (PBILDT) margins slightly moderated in FY23 to 10% from 11% in FY22 owing to higher input costs. Going forward, the company's ability to ramp-up its profitability levels comparable with previous years will be key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Total debt (TD)/profit before depreciation interest and taxes (PBDIT) of more than 3x.
- Large debt-funded acquisition of more than 50% of the net worth, impacting the earnings accretion and the company's liquidity.

Analytical approach: Consolidated

The financial and operational performances of WEL and its subsidiaries and joint ventures (JVs) are considered due to the strong operational, financial, and managerial linkages between them. The details of entities used for consolidation have been given in Annexure-6.

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the strong brand recall and liquidity will continue in the near future.

Detailed description of the key rating drivers:

Key strengths

Established market position in various businesses with strong brands across segments and geographies

Consumer care: The company has a portfolio of strong established brands in both, India and international markets, with Santoor, Enchanteur, Bio-Essence, and Yardley among the prominent brands owned by the company. These brands have a dominant market presence in the segments and geographies they operate in and are supported by a well-established distribution network. The company's global presence is largely supported by acquisitions of brands and businesses over the years.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Lighting and furniture: Under this division, the company's business includes domestic and commercial lighting, office modular furniture, and the switches business. Around 7% (PY: 8%) of the consolidated total income was derived from this segment in FY23. The company is one of the leading players in the consumer lighting space and is a partner in majority of the commercial green buildings and Platinum-rated green buildings in India till date.

Infrastructure engineering: The company has a presence in hydraulics, water treatment solutions, aerospace, 3D, and industrial automation solutions. It is one of the largest independent hydraulic cylinder manufacturers in the world. In FY23, hydraulics and pneumatic equipment contributed to 22% (PY: 21%), while aerospace components and equipment contributed to 3% (PY: 3%) of the total consolidated income.

Diversified revenue profile
WEL's well-diversified business profile derives revenue across geographies and product segments. For FY23, the company had reported a 23% increase in overall sales buoyed by revival of demand in the key segments. With easing inflation, CARE Ratings expects the company's total operating income (TOI) to grow at about 10-14% in FY24 driven by increases in the volume.

Consumer care and lighting (CCLG): Approximately 65% (PY: 69%) of the consolidated total income was derived from the consumer care segment in FY23. The sales increased by 15% in FY23 to ₹9,957 crore. Within CCLG, personal care and cosmetics witnessed 34% y-o-y increase, while toilet soaps (mainly led by Santoor) witnessed 23% y-o-y increase in sales. The lighting revenue growth was driven by revival of institutional demand driven by companies opening back offices and sustained government investments in the sector.

Infrastructure engineering: The sales in infrastructure engineering segment (which contributed 35% of FY23 sales) increased by 40% in FY23 to ₹5,431 crore. The hydraulics business and industrial automation segment strongly performed y-o-y all geographies. In India, the Government's strong focus on modernising the country's infrastructure has provided considerable impetus for business growth.

WEL has a demonstrated track record of acquiring strong local brands and generating synergies by combining operations of the acquired entities to drive scale and profitability. Going forward, the company intends to expand into the food segment and shortlisted traditional food and spices to be a large category. It has made two acquisitions, 'Nirapara' and 'Brahmins'- in December 2022 and April 2023, respectively. The management also intends to derive around ₹500 crore of revenue from these acquisitions in the next three to five years.

Healthy financial risk profile with high cash accruals and strong debt protection
WEL's financial risk profile is marked by increasing income and cash accrual levels, aided by organic and inorganic growth, strong net worth base, continued negative net debt position, and healthy cash and bank balance, but relatively lower margins in the engineering division. In an intensely competitive business, marked by the presence of both, organised and unorganised players, the company's PBDIT margins in the CCLG segment is in range of 11-13%. WEL's margins in the infrastructure engineering division in FY23 improved as compared to FY22. CARE Ratings expects the profitability of this segment to improve in the future on the back of continued increase in sales and better cost absorptions.
WEL's debt stood at ₹3,769 crore as on December 31, 2023 compared with ₹3,828 crore as on March 31, 2023 and ₹3,018 crore as on March 31, 2022. WEL's liquidity continues to be strong with healthy cash accruals of ₹1,700 crore in FY23 (PY: ₹1,606 crore) and liquid investments amounting to ₹6,846 crore (mainly invested in mutual funds, NCDs, and bonds). The capital structure stood comfortable at 0.42x as on March 31, 2023 (PY: 0.38x). CARE Ratings notes that, if the company carries out any large-size acquisition, the capital structure may alter based on the source of funds for the acquisition.

Resourceful promoters and experienced management team
WEL was founded by Azim H Premji, who has guided Wipro through four decades of diversification and growth to emerge as one of the global leaders in the software industry. WEL is owned by the resourceful Azim Premji through various partnership firms and trusts. WEL's day-to-day activities are run by an experienced management team headed by Vineet Agrawal, CEO-Wipro Consumer Care and Lighting Business and Executive Director, and Pratik Kumar, CEO-Wipro Infrastructure Engineering Business and Executive Director.

Key weaknesses

Macroeconomic, political, and currency risks in overseas geographies
Apart from India, WEL has a presence mainly in Southeast Asian countries (mainly in Indonesia, China, Singapore, and Malaysia) and Europe. Macro-economic changes can limit the growth in overseas operations. Also, risks such as geopolitical events, change in government, and unrest among others can impact the operations. WEL is also exposed to foreign exchange risk on its various currency exposures. The risk of changes in foreign exchange rates relates primarily to the company's operating activities and translation risk, which arises from the recognition of foreign currency assets and liabilities. CARE Ratings notes that WEL mitigates the said risk by way of board-approved hedging policies for entering into interest rate swaps and foreign exchange forward contracts. Notwithstanding the above risk, WEL has demonstrated its ability to manage such risks over the years. In FY23, the company reported a foreign exchange loss of ₹21.6 crore (PY: gain of ₹19 crore).

Susceptibility to raw material prices

Palm oil and crude derivatives (chemicals) are the major raw materials for soap manufacturing for WEL. The company's cost of raw materials as a percentage of sales have traditionally remained stable, at 45-50%. FMCG is a price-sensitive sector, and the prices are mainly market leader-driven. WEL's major share of revenue (65% in FY23) comes from FMCG and the company's ability to pass on the increased raw material prices to consumers is key. However, the impact is expected to be limited, with WEL having a portfolio of established brands across product segments. The infrastructure engineering segment uses tubes, rounds and rods casting, forging materials, and metallic sheets in the hydraulic and aerospace segment and water treatment skids and systems in the water treatment segment. The prices of major raw materials, viz, steel and castings have witnessed a high level of price volatility in the past.

Susceptibility to intense competition

The Indian FMCG industry is marked by the presence of both, organised and unorganised players across various segments and product categories. The company continues to face stiff competition in key segments, with the entry of new players, including multinationals, in segments such as soaps and detergents and personal care products.

Liquidity: Strong

Liquidity is marked by strong accruals and liquid investments to the tune of ₹8,261.4 as on December 31, 2023. The company maintains negative net debt position in the backdrop of significant cash and liquid investments. With a gearing of 0.42x as on March 31, 2023, WEL has sufficient gearing headroom, to raise additional debt for its capex. The company plans to make around ₹600-700 crore of capex (including maintenance and growth capex) in the next 18 months and this is expected to be funded through external debt. Its unutilised bank lines are more than adequate to meet its incremental working capital needs over the next one year. Considering the cash accruals generated by the company against the debt obligations to be serviced in the next two years, CARE Ratings opines that the same can be met comfortably. For FY24, the company has already made the NCD payment of ₹400 crore in July 2023. On June 19, 2023, the Board of Directors approved the proposal to reduce the shares held by non-promoter equity shareholders by cancelling and extinguishing the paidup equity share capital. A total outflow of about ₹1,100-₹1,200 crore will be paid to non-promoter shareholders, from the free reserves of the company, whose shares will be extinguished post the capital reduction, subject to regulatory approvals.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Consolidation
Policy on Default recognition
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Issuer Ratings
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

WEL commenced operations with effect from April 01, 2012, post Wipro Limited demerging its non-IT divisions (consumer care and lighting, medical equipment, and infrastructure engineering) into a separate company. The company's business comprises two main verticals, namely, Wipro Consumer Care and Lighting and Wipro Infrastructure Engineering. Wipro Consumer Care and Lighting: The FMCG division of the group, with a global presence, is primarily into personal wash, skin care, toiletries, wellness, household, domestic and commercial lighting solutions, and modular office furniture. Wipro Infrastructure Engineering (WIN): WIN is a diversified business with product offerings in aerospace, water treatment for industries, additive manufacturing, and automation solutions, in addition to the hydraulics business. In hydraulics, where the company is one of the largest independent hydraulic cylinder manufacturers, it provides solutions for a wide range of applications, including aerospace and defense. Going forward, the company intends to expand into the food segment and shortlisted traditional food and spices to be a large category.

WEL has 10 subsidiaries, 58 step-down subsidiaries, and seven JVs/associate companies. The company has a portfolio of more than 30 brands and a presence in more than 60 countries, mainly operating in India, Malaysia, the Middle East, China, Vietnam, and Europe.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	12,543	15,407
PBILDT	1,319	1,490
PAT	1,317	1,410
Overall gearing (times)	0.38	0.42
Interest coverage (times)	9.29	10.12

A: Audited; Note: 'these are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST	-	-	-	-	654.20	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	-	2050.80	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	-	295.00	CARE AAA; Stable / CARE A1+
Debentures-Non-convertible debentures	INE889O08014	30-Jul-2020	5.87	July 30, 2024	300.00	CARE AAA; Stable
Debentures-Non-convertible debentures	INE889O08030	30-Jul-2020	5.87	July 30, 2025	300.00	CARE AAA; Stable
Debentures-Non-convertible debentures	INE889O08048	17-Sep-2020	5.85	September 17, 2025	700.00	CARE AAA; Stable
Debentures-Non-convertible debentures	-	-	Proposed	Proposed	1300.00	CARE AAA; Stable
Issuer rating-Issuer ratings		-	-	-	0.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Issuer rating-Issuer ratings	LT	0.00	CARE AAA; Stable	1)CARE AAA; Stable (12-Sep-23)	1)CARE AAA; Stable (26-Dec-22) 2)CARE AAA (Is); Stable (15-Sep-22)	1)CARE AAA (Is); Stable (16-Sep-21)	1)CARE AAA (Is); Stable (28-Jul-20)
2	Debentures-Non-convertible debentures	LT	2600.00	CARE AAA; Stable	1)CARE AAA; Stable (12-Sep-23)	1)CARE AAA; Stable (15-Sep-22)	1)CARE AAA; Stable (16-Sep-21)	1)CARE AAA; Stable (28-Jul-20)
3	Fund-based/Non-fund-based-LT/ST	LT/ST	654.20	CARE AAA; Stable / CARE A1+				
4	Fund-based/Non-fund-based-LT/ST	LT/ST	2050.80	CARE AAA; Stable / CARE A1+				
5	Fund-based/Non-fund-based-LT/ST	LT/ST	295.00	CARE AAA; Stable / CARE A1+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Issuer rating-Issuer ratings	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here]

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Cygnus Negri Investments Private Limited	Full	Subsidiary
2	Wipro Consumer Care Private Limited	Full	Subsidiary
3	Wipro Pari Private Limited (formerly known as Precision Automation and Robotics India Private Limited)	Full	Subsidiary
4	Wipro Hydraulics Private Limited	Full	Subsidiary
5	Wipro Chandrika Private Limited	Full	Subsidiary
6	Wipro Personal Care Private Limited (under Voluntary Liquidation)[a]	Full	Subsidiary
7	Wipro Consumer and Personal Care Private Limited	Full	Subsidiary
8	Wipro Enterprises Cyprus Limited Cyprus	Full	Subsidiary
9	Wipro Consumer Care Lanka (Private) Limited	Full	Subsidiary
10	Wipro Consumer Care Bangladesh Private Limited [b]	Full	Subsidiary

(a) Voluntary Liquidation process w.e.f. March 30, 2023
(b) Entity incorporated on April 25, 2022.

List of step-down subsidiaries as on March 31, 2023

S. No.	Name of the company	% Held
1	Wipro Enterprises Participapöes Ltda.	100
2	Wipro Do Brasil Industrial Ltda.	100
3	Unza International Limited	100
4	PARI Robotics Canada.	100
5	Zhongshon Ma Er Daily Products Co. Limited	100
6	L D Waxson (Quanzhou) Co. Ltd	100
7	Shanghai Wocheng Trading Development Co. Ltd	100
8	Wipro Consumer Care China Limited	100
9	Wipro Unza (Guangdong) Consumer Products Ltd	100
10	Wipro Yardley FZE	100
11	Wipro Infrastructure Engineering Oy.	100
12	PARI Robotics GmbH	100
13	Hochrainer Gmbh [f]	100
14	Wipro Unza Cathay Limited	100
15	Wipro Unza China Limited	100
16	L D Waxson (H K) Ltd	100
17	Wipro Pari Robotics Private Limited [e]	100
18	Linecraft Al Private Limited [h]	100
19	Wipro Pari Eingeenering and Services Private Limited [g]	100
20	PT Unza Vitalis	100
21	P .T. Splash Cahaya	100
22	Wipro Givon Limited	100
23	I 4 Valley - Karmiel Incubator for Smart Industry Ltd [a]	56.24
24	Wipro Unza Nusantara Sdn. Bhd. (Formerly Unza Nusantara Sdn. Bhd)	100
25	"WINNOX COSMECEUTICS SDN. BHD. (formerly known as Wipro Malaysia Services Sdn. Bhd.)"	100
26	Wipro Unza (Malaysia) Sdn Bhd	100
27	Wipro Manufacturing Services Sdn Bhd	100
28	Formapac Sdn Bhd [i]	100

S. No.	Name of the company	% Held
29	Wipro Consumer Care (LDW) Sdn. Bhd. (formerly known as Ginvera Marketing Enterprises Sdn. Bhd)	100
30	Wipro Manufacturing (LDW) Sdn Bhd (formerly known as Attractive Avenue Sdn. Bhd.)	100
31	Wipro Enterprises Netherlands BV	100
32	Wipro Unza Africa Limited	100
33	Splash H&B Limited	100
34	Unza Philippines Holding Private Inc.	100
35	Splash Corporation	99.75
36	Splash Global Properties Realty Inc. (j)	39.99
37	PARI Robotics Romania S.R.L	100
38	Wipro Infrastructure Engineering S.A. (Formerly Hervil S.A) (c)	99.93
39	Wipro Singapore Pte Limited	100
40	Wipro Unza Holdings Limited (b)	100
41	Wipro Consumer Care Singapore Pte Limited (formerly knows as Wipro Unza Singapore Pte Ltd)	100
42	Wipro Unza Indochina Pte Limited	100
43	L D Waxson (Singapore) Pte Ltd	100
44	Wipro Properties SA PTY Limited (Formerly known as Sauvage Property Investments PTY Limited)	100
45	Canway (Pty) Limited	100
46	Canway Supply Chain Solutions Proprietary Limited	100
47	IQ Laboratories Proprietary Limited (k)	100
48	Intelligence Laboratories Proprietary Limited (k)	100
49	Wipro Infrastructure Engineering AB	100
50	Wipro Holdings (Taiwan) Co., Ltd	100
51	L D Waxson (Taiwan) Co. Ltd	100
52	Wipro Unza (Thailand) Limited	100
53	Yardley of London Limited(d)	100
54	Wipro Pari Inc. (formerly known as PARI Robotics Inc.)	100
55	Wipro Givon Holdings Inc.	100
56	Wipro Enterprises Inc.	100
57	Wipro Givon USA Inc.	100
58	Wipro Consumer Care Vietnam Co., Limited (Formerly known as Wipro Unza Vietnam Co., Limited)	100

(a) Wipro Givon Limited holds 56.24% in this entity
(b) Wipro Singapore Pte Ltd holds 97%
(c) Wipro Enterprises Cyprus Limited holds 99.9 % in this entity
(d) Wipro Enterprises Cyprus Limited holds 43.62 % in this entity
(e) Wholly Owned Subsidiary of Wipro Pari Private Limited incorporated on June 20, 2022
(f) Entity Acquired by Wipro Pari Private Limited on August 4, 2022
(g) Wholly owned subsidiary of Wipro Pari Private Limited incorporated on December 15, 2022
(h) Company Acquired by Wipro Pari Private Limited on December 1, 2022
(i) under liquidation process
(j) Splash Corporation holds 39.99% of Share Capital in this entity, however it is considered as deemed subsidiary pursuant to 2(87)(a) of the Companies Act, 2013
(k) In the Process of Merger with Canway (Pty) Limited

List of Associate companies as on March 31, 2023

S. No.	Name of the company	%Held
1	Wipro GE Healthcare Private Limited	49.00%
2	Wipro Kawasaki Precision Machinery Private Limited	49.00%
3	Happily Unmarried Marketing Private Limited	15.95%
4	Lets Shave Private Limited	11.25%

5	Onelife Nutriscience Private Limited	29.49%
6	PT Invent India Private Limited	26.00%
7	KE Health Care Private Limited	8.09%

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
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