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# Whirlpool of India

ADD

Maintained

Good business passing through a rough phase **Rs2,112**

Whirlpool which has strong competitive advantages such as (1) established brand, (2) pan-India distribution and (3) strong support of its parent is passing through a rough patch due to loss of key summer season for two consecutive years due to lockdown. We expect the consumer off-take to normalize with receding covid cases and model Whirlpool to report revenue and PAT CAGR of 17.2% and 44.8%, respectively over FY21-23. While there will be short term impact due to steep inflation in input prices, we believe the company is also on track to gain market shares across key segments which is DCF accretive. Maintain ADD with a DCF-based target price of Rs2,364 (implied P/E 43x FY23E).

- **Q1FY22 performance:** Whirlpool reported revenue, EBITDA and PAT growth of 30.5%, 18.9% and 62%, respectively, YoY. Two-year revenue and PAT CAGR were -17.6% and -57.2%, respectively. While gross margin declined 300bps due to higher input prices, EBITDA margin declined just 50bps YoY due to cost saving initiatives. With 860bps lower effective tax rate, the net profit was up 62% YoY.
- **Weaker performance than peers:** As May'21 and June'21 were affected due to lockdown, Whirlpool reported relatively slower growth compared to peers. We also note most products of Whirlpool were declared non-essentials. There were restrictions of sales via e-commerce too in some states like Maharashtra.
- **Loss of key season for second consecutive year:** As the lockdown was imposed in June quarter in FY21 as well as FY22, Whirlpool has lost key summer season for two consecutive years. Its products like refrigerators and air conditioners have higher revenue saliency in Summer season. However, we model the consumer off-take to normalize with receding covid cases and model Whirlpool to report revenue CAGR of 17.2% over FY21-23.
- **Inflation in input prices:** Prices of key raw materials such as copper, aluminum, steel and HDPE have increased 20-40% YoY. Ad-spend is also likely to increase in FY22. While we believe the company has pricing power to pass on additional costs, there will be some impact on margins in near term.
- **Maintain ADD:** We model Whirlpool to report PAT CAGR of 44.8% over FY21-FY23E and RoCE to be upwards of 20% over FY22-23. We remain positive on the company's business model due to established competitive advantages and growth opportunities. Maintain ADD with a DCF-based target price of Rs2,364 (implied P/E 43x FY23E). Key risks are steep increase in competitive pressures and steep inflation in input prices.

## Q1FY22 result review

## White Goods & Durables

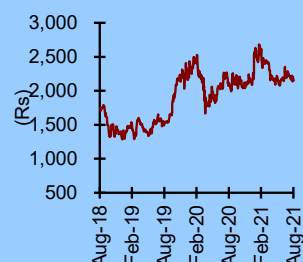
Target price Rs2,364

### Shareholding pattern

(%)	Dec '20	Mar '21	Jun '21
Promoters	75.0	75.0	75.0
Institutional investors	14.6	14.4	13.9
MFs and others	8.2	8.3	7.9
Banks/Ins. Co.	2.1	2.1	2.9
FII	4.3	4.0	3.1
Others	10.4	10.6	11.1

Source: BSE

### Price chart



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Market Cap	Rs268bn/US\$3.6bn	Year to March	FY20	FY21P	FY22E	FY23E
Reuters/Bloomberg	WHIR.BO/WHIRL IN	Revenue (Rs mn)	59,925	58,999	70,188	81,056
Shares Outstanding (mn)	126.9	Adj. Net Profit (Rs mn)	4,902	3,518	6,084	6,984
52-week Range (Rs)	2681/1991	Dil. Rec. EPS (Rs)	38.6	27.7	48.0	55.0
Free Float (%)	25.0	% Chg YoY	19.6	(28.2)	72.9	14.8
FII (%)	3.1	P/E (x)	54.4	75.8	43.8	38.2
Daily Volume (US\$'000)	3,993	CEPS (Rs)	48.8	38.9	59.7	68.2
Absolute Return 3m (%)	(0.9)	EV/EBITDA (x)	37.0	48.0	30.1	26.0
Absolute Return 12m (%)	2.2	Dividend Yield (%)	0.3	0.2	0.3	0.3
Sensex Return 3m (%)	10.9	RoCE (%)	21.5	12.8	20.1	20.1
Sensex Return 12m (%)	44.4	RoE (%)	21.1	13.2	19.8	19.2

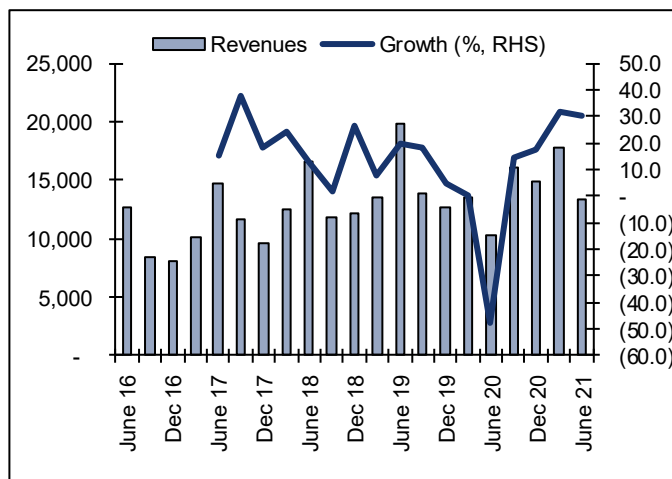
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**Table 1: Q1FY22 financial performance***(Rs mn, year ending March 31)*

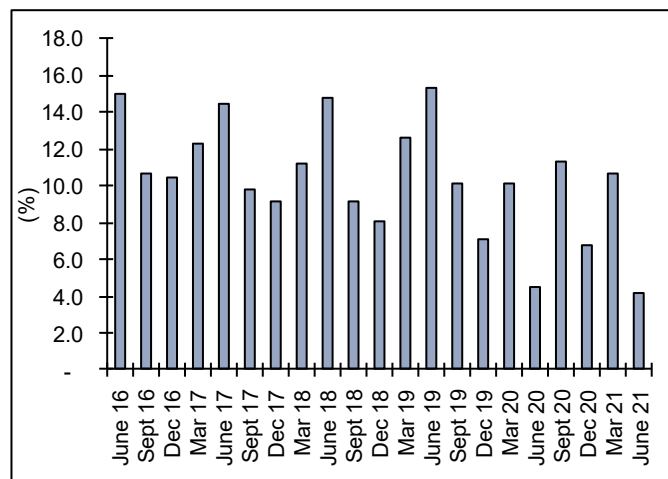
	Q1FY22	Q1FY21	YoY gr.	Q4FY21	QoQ gr.
<b>Revenue</b>	<b>13,406</b>	<b>10,271</b>	<b>30.5</b>	<b>17,794</b>	<b>(24.7)</b>
<b>Expenditure</b>					
Raw materials	8,981	6,578	36.5	11,461	(21.6)
% of revenue	67.0	64.0		64.4	
Employee cost	1,576	1,487	6.0	1,626	(3.1)
% of revenue	11.8	14.5		9.1	
Other expenditure	2,295	1,740	31.9	2,810	(18.4)
% of revenue	17.1	16.9		15.8	
Total expenditure	12,851	9,804	31.1	15,897	(19.2)
<b>EBITDA</b>	<b>555</b>	<b>466</b>	<b>18.9</b>	<b>1,897</b>	<b>(70.8)</b>
EBITDA margin	4.1	4.5		10.7	
Other income	162	135	20.0	194	(16.6)
<b>PBDIT</b>	<b>716</b>	<b>601</b>	<b>19.2</b>	<b>2,090</b>	<b>(65.7)</b>
Depreciation	331	284	16.8	362	(8.6)
<b>PBIT</b>	<b>385</b>	<b>318</b>	<b>21.3</b>	<b>1,728</b>	<b>(77.7)</b>
Interest	37	74	(50.0)	2	1,500.0
<b>PBT</b>	<b>349</b>	<b>244</b>	<b>42.9</b>	<b>1,726</b>	<b>(79.8)</b>
Prov for tax	94	87	8.1	425	(78.0)
% of PBT	26.8	35.5		24.6	
<b>Adjusted PAT</b>	<b>255</b>	<b>158</b>	<b>62.0</b>	<b>1,301</b>	<b>(80.4)</b>
Extraordinary items	12	19	(35.9)	(12)	(200.8)
<b>Reported PAT</b>	<b>267</b>	<b>177</b>	<b>51.3</b>	<b>1,288</b>	<b>(79.2)</b>

Source: Company data, I-Sec research

## Key performance highlights

**Chart 1: Revenue and revenue growth**

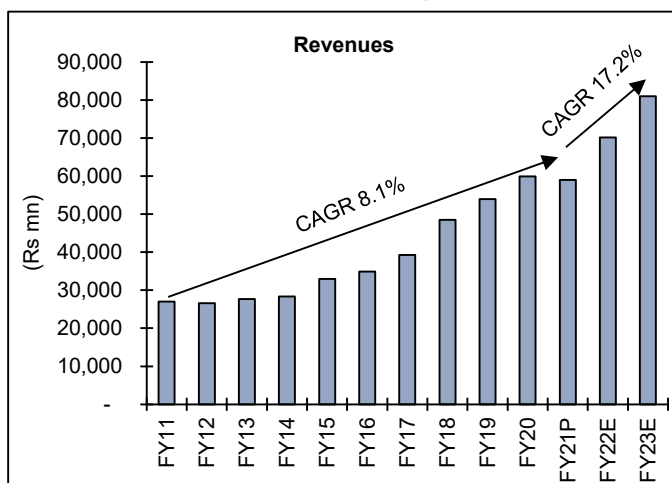
Source: Company data, I-Sec research

**Chart 2: EBITDA margins**

Source: Company data, I-Sec research

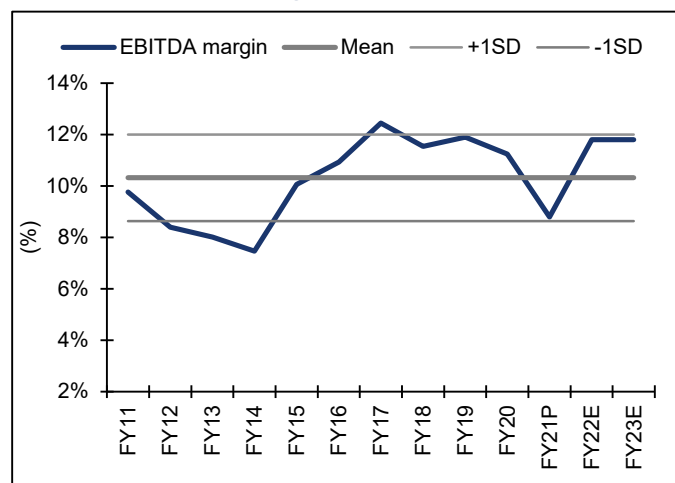
## Key ratios – Annual

Chart 3: Revenue and revenue growth



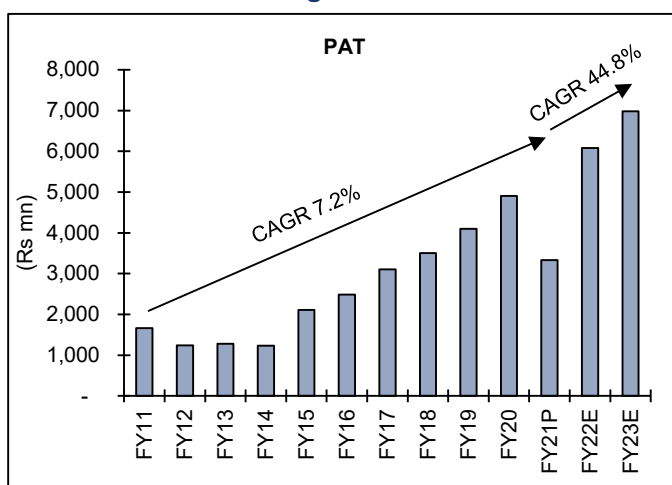
Source: Company data, I-Sec research

Chart 4: EBITDA margin



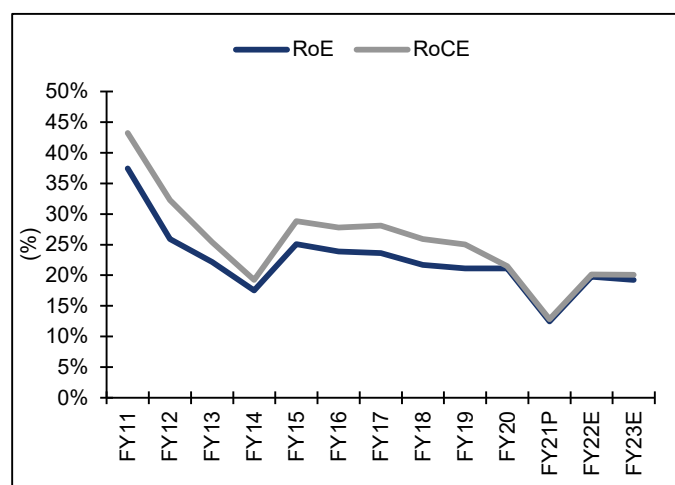
Source: Company data, I-Sec research

Chart 5: PAT and PAT growth



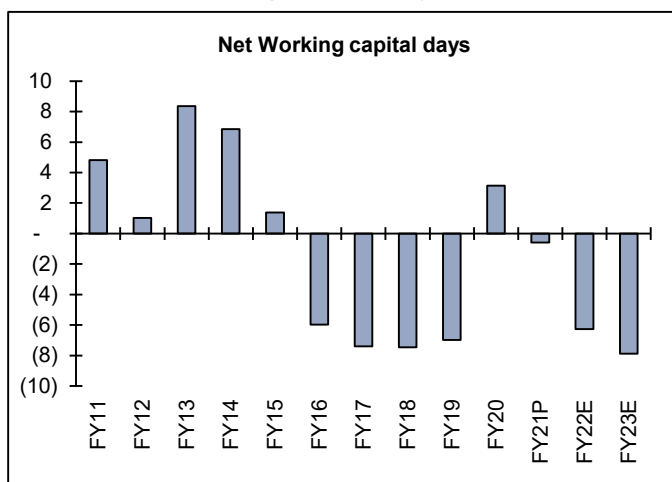
Source: Company data, I-Sec research

Chart 6: RoE and RoCE



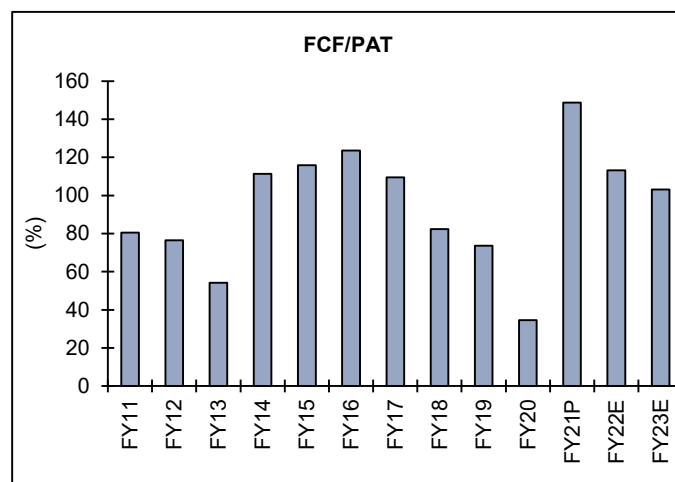
Source: Company data, I-Sec research

Chart 7: Net working capital days



Source: Company data, I-Sec research

Chart 8: FCF/PAT (%)



Source: Company data, I-Sec research

## Valuation and risks

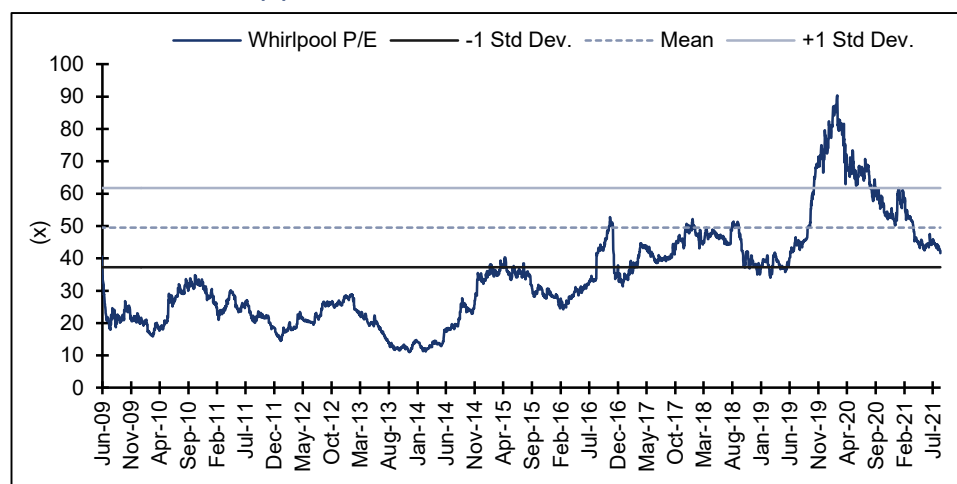
We model Whirlpool to report revenue and PAT CAGRs of 17.2% and 44.8% over FY21-FY23E and RoCE to move to 20.1% in FY23E from 12.8% in FY21. At our DCF-based target price of Rs2,364, the implied P/E works out to 43x FY23E EPS. Maintain ADD.

**Table 2: DCF-based valuation**

Particulars	Amt (Rs)
Cost of Equity (%)	11.1
Terminal growth rate (%)	5.0
Discounted interim cash flows (Rs mn)	97,340
Discounted terminal value (Rs mn)	2,02,581
Total equity value (Rs mn)	2,99,921
<b>Value per share (Rs)</b>	<b>2,364</b>

Source: Company data, I-Sec research

**Chart 9: Mean P/E (x) and standard deviation**



Source: Company data, I-Sec research

## Risks

### Sharp increase in input prices and competitive pressures

Major increase in input prices and/or increase in competitive pressures will result in downside to our estimates.

### Delays in launch of new plants/products

Any delays in launch of new products and/or plants may result in lower earnings than estimated.

## Financial summary

Table 3: Profit &amp; Loss statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Net Sales	59,925	58,999	70,188	81,056
Operating Expenses	52,624	53,259	61,275	70,762
EBITDA	6,734	5,190	8,282	9,565
% margins	11.2	8.8	11.8	11.8
Depreciation & Amortisation	1,293	1,421	1,489	1,669
Gross Interest	199	153	179	179
Other Income	1,426	1,082	1,519	1,620
Recurring PBT	6,668	4,697	8,134	9,337
Less: Taxes	1,766	1,179	2,050	2,353
Less: Minority Interest	-	-	-	-
Net Income (Reported)	4,902	3,518	6,084	6,984
Extraordinaries (Net)	(24)	11	-	-
Recurring Net Income	4,878	3,530	6,084	6,984

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	29,034	39,462	27,177	23,660
of which cash & cash eqv.	12,840	20,632	6,626	283
Total Current Liabilities & Provisions	15,677	18,925	21,758	25,127
Net Current Assets	13,357	20,537	5,419	(1,467)
Investments	6,664	3,123	23,123	35,623
Net Fixed Assets	7,089	7,072	7,794	8,125
Capital Work-in-Progress	441	410	-	-
Total Assets	27,551	31,142	36,336	42,281
<b>Liabilities</b>				
Borrowings	2,291	2,976	2,976	2,976
Deferred Tax Liability	(375)	(417)	(417)	(417)
Minority Interest	-	-	-	-
Equity Share Capital	1,269	1,269	1,269	1,269
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	24,366	27,314	32,508	38,453
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	25,635	28,583	33,777	39,722
Total Liabilities	27,551	31,142	36,336	42,281

Source: Company data, I-Sec research

Table 5: Quarterly trend

(Rs mn, year ending March 31)

	Sept 20	Dec 20	Mar 21	June 21
Net sales	15,995	14,940	17,794	13,406
% growth (YoY)	14.8	17.5	31.5	30.5
EBITDA	1,812	1,006	1,897	555
Margin (%)	11.3	6.7	10.7	4.1
Other income	409	354	194	162
Extraordinaries (Net)	(10)	15	(12)	12
Adjusted Net profit	1,337	728	1,288	267

Source: Company data, I-Sec research

Table 6: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Operating Cashflow	5,866	5,198	7,573	8,653
Working Capital Changes	(1,122)	750	1,112	543
Capital Commitments	(3,049)	(990)	(1,800)	(2,000)
Free Cashflow	1,695	4,958	6,884	7,196
Cashflow from Investing Activities	1,360	3,648	(20,000)	(12,500)
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	(80)	(109)	-	-
Dividend paid	(765)	(634)	(891)	(1,039)
Change in Deferred Tax Liability	-	-	-	-
Chg. in Cash & Bank balance	2,211	7,863	(14,006)	(6,343)

Source: Company data, I-Sec research

Table 7: Key ratios

(Year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS	38.6	27.7	48.0	55.0
Cash EPS	48.8	38.9	59.7	68.2
Dividend per share (DPS)	6.0	5.0	6.0	7.0
Book Value per share (BV)	199.1	222.0	262.9	309.8
<b>Growth (%)</b>				
Net Sales	11.0	(1.5)	19.0	15.5
EBITDA	4.9	(22.9)	59.6	15.5
PAT	19.6	(28.2)	72.9	14.8
DPS	18.9	(20.3)	53.3	14.3
<b>Valuation Ratios (x)</b>				
P/E	54.4	75.8	43.8	38.2
P/CEPS	43.0	54.0	35.2	30.8
P/BV	10.6	9.5	8.0	6.8
EV / EBITDA	37.0	48.0	30.1	26.0
EV / Sales	4.2	4.2	3.5	3.1

## Operating Ratios

Raw Material / Sales (%)	60.9	63.5	61.9	61.9
Employee cost / Sales (%)	9.8	10.7	9.5	9.5
SG&A / Sales (%)	1.9	1.9	1.9	1.9
Other Income / PBT (%)	21.4	23.0	18.7	17.3
Effective Tax Rate (%)	26.5	25.1	25.2	25.2
Working Capital (days)	0.9	(0.2)	(1.7)	(2.2)
Inventory Turnover (days)	73.0	78.8	73.0	73.0
Receivables (days)	17.2	23.4	21.9	21.9
Payables (days)	93.2	114.4	109.5	109.5
Net D/E (x)	(0.6)	(0.6)	(0.7)	(0.8)

## Profitability Ratios (%)

Net Income Margins	8.2	6.0	8.7	8.6
RoACE	21.5	12.8	20.1	20.1
RoAE	21.1	13.2	19.8	19.2
Dividend Payout	15.6	18.0	12.5	12.7
Dividend Yield	0.3	0.2	0.3	0.3
EBITDA Margins	11.2	8.8	11.8	11.8

Source: Company data, I-Sec research

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