

Whirlpool of India (WHIRL IN)

Rating: NA | CMP: Rs2,004 | TP: NA

August 17, 2021

AGM Update

Key Financials - Consolidated

Y/e Mar	FY18	FY19	FY20	FY21
Sales (Rs. m)	48,319	53,977	59,925	58,999
EBITDA (Rs. m)	5,600	6,422	6,734	5,190
Margin (%)	11.6	11.9	11.2	8.8
PAT (Rs. m)	3,507	4,097	4,902	3,518
EPS (Rs.)	27.6	32.3	38.6	27.7
Gr. (%)	12.9	16.8	19.6	(28.2)
DPS (Rs.)	3.0	4.0	5.0	5.0
Yield (%)	0.1	0.2	0.2	0.2
RoE (%)	21.4	20.8	20.8	13.0
RoCE (%)	33.3	32.2	28.6	17.2
EV/Sales (x)	5.3	4.7	4.1	4.1
EV/EBITDA (x)	45.6	39.4	36.9	47.1
PE (x)	72.5	62.1	51.9	72.3
P/BV (x)	14.8	12.4	10.3	9.3

Key Data

WHRI.BO | WHIRL IN

52-W High / Low	Rs. 2,777 / Rs. 1,985
Sensex / Nifty	55,792 / 16,615
Market Cap	Rs.254bn/ \$ 3,420m
Shares Outstanding	127m
3M Avg. Daily Value	Rs. 359.4m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	2.65
Domestic Institution	11.29
Public & Others	11.06
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.0	9.6	45.5
Relative	(9.0)	(3.9)	(1.2)

Paarth Gala

paarthgala@plindia.com | 91-22-66322242

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Innovation & premiumisation to drive growth

Quick Pointers:

- To grow faster than industry while maintaining double digit margins.
- WHIRL to leverage parent's technology prowess and customize products as per Indian requirements
- 15% price hikes taken over 3 rounds.

We attended Whirlpool of India's (WHIRL) AGM wherein the management remained confident of growing faster than the industry while maintaining double digit margins by 1) increasing share of premiumisation within product mix 2) develop product leadership through relevant innovation by leveraging parent's technological prowess 3) increase digital spends 4) cost efficiency program 4) improve GTM reach & extraction and 5) pricing actions. Although with near term being disrupted by Covid, WHIRL remains bullish on the Indian Consumer Durable prospects given 1) low penetration level across categories 2) shortening replacement cycle 3) increasing consumer affordability and 4) appliances now being viewed as a necessity. WHIRL has identified Room AC, Cooking (Kitchen), Microwave, Water Purifier and Dishwashers as new avenues for growth. We believe new product launches, improving quality of distribution network, parent's technology prowess and category expansion will enable it to sustain steady growth. The stock currently trades at 37.5x FY23 consensus EPS. Not Rated.

- **Covid induced cost pressures impact margins; will normalize going ahead:** Margins remained under pressure over the past few quarters due to 1) Covid related cost pressures (supply chain disruption/ demand-supply mismatch) and 2) lower volumes (40-day lockdown). However, WHIRL remains confident of achieving normalized margin through 1) cost efficiency program 2) material cost optimization 3) negotiations with supply chain vendors 4) improving GTM reach and extraction 5) product mix and 6) pricing actions. So far, WHIRL has initiated price hikes of 15% over 3 rounds.
- **WHIRL to grow faster than industry growth rates:** WHIRL remains bullish on the Indian Consumer Durable growth story given 1) low penetration levels 2) shortening replacement cycle & 3) changing relationship between consumers and appliances (Appliances now viewed as a necessity vs luxury). WHIRL is confident of outperforming the industry growth through 1) increase premiumisation share 2) develop product leadership through relevant innovation 3) increase digital spends 4) GTM 5) improve look and feel of products and 6) improve offerings across price points.
- **In a bid to diversify, identified 5 product categories:** Refrigerators/ Washing machines contributed 85% of FY21 revenues. WHIRL has identified Cooking, RAC, Microwave, Water and Dishwashers as new avenues for growth. These categories have been identified given 1) very low penetration levels 2) WHIRL's ability to win leveraging global scale and 3) low present market share

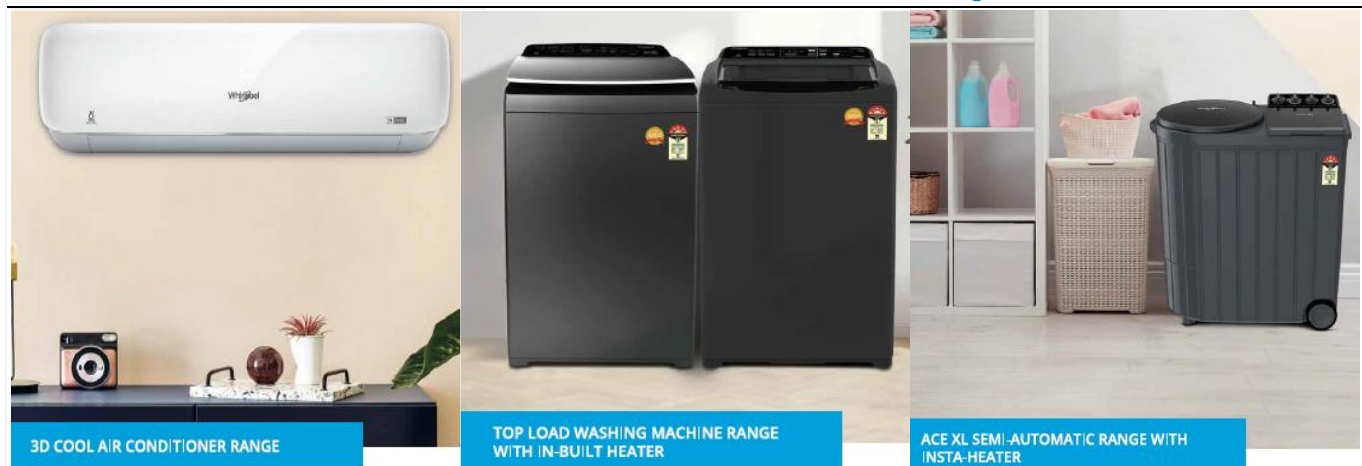
- **New Product launches:** WHIRL launched Intellifresh Pro series of Bottom Mount Refrigerators, revamped the mid to high end Single Door Refrigerator portfolio, introduced Glass Door range in Double Door refrigerators. Within Room AC, WHIRL launched next generation range of 3D Cool Inverter AC. Within Washing Machines, given the heightened need and awareness for sanitization, WHIRL launched Stainwash Pro Bloomwash Pro series with in-built heaters. WHIRL is also the 1st company to introduce insta- heater in Semi-Automatic washing machines.
- **Focus on improving quality of distribution network:** Over the years, WHIRL has scaled up its distribution network reaching 90%-95% of the industry leader. Although WHIRL is now present across a large no of outlets, a lot of them may not be directly covered by WHIRL. WHIRL is now focused on improving the quality of it distribution network and is looking to increase its direct coverage and wallet share. 1Q saw 13% increase in billing points, whereas repeat frequency from outlets was up 31%.
- **95% products manufactured in-house; to reduce RM imports from China:** WHIRL manufactures 95% of its products in-house while the rest is either outsourced domestically or imported. However, in terms of RM/ components, 27% of WHIRL's requirement is imported from China. WHIRL remains committed to increase indigenization of supply chain thereby reducing imports.
- **Elica acquisition paying off:** WHIRL acquired 49% stake in Elica PB India (Rs1.6bn) in FY19 with a view to scale up its presence in the kitchen segment. The JV has been focusing filling product gaps by launching India centric products. The move seems to be paying off, with Elica exhibiting strong growth. In addition to this, by leveraging the distribution network of Elica, WHIRL aims to build Whirlpool as a strong cooking brand.
- **Others takeaways:** **1)** WHIRL continues to see improvement in market shares across product categories/ price points (Mass/ Premium) **2)** WHIRL will continue to leverage its parent's technological prowess and customize as per India's requirements **3)** E-com (market places and company website) contributed 12% of FY21 revenues. **4)** Remain open to inorganic opportunities for businesses complementing existing goals. **5)** Even post parent's divestment from Chinese subsidiary (from 51% to 21%), the Chinese subsidiary will continue to supply products like before. **6)** Product Maturity and penetration levels across categories remains very low. For Refrigerators/ Washing Machine it stands at 33%/ 14%. **7)** WHIRL to reach net zero emissions in plant and operations by 2030, in line with Parent's commitment.

Exhibit 1: New launches in across Refrigerator categories



Source: Company, PL

Exhibit 2: One of the first brands to introduce insta-heater in semi-automatic washing machines



Source: Company, PL

Exhibit 3: Refrigerators/ Washing Machines contribute 85% of revenues

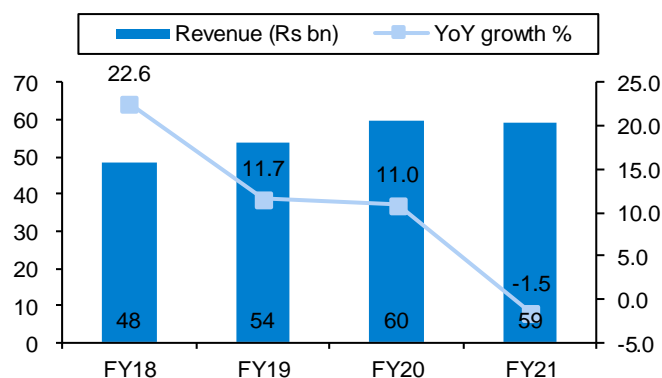


Source: Company, PL

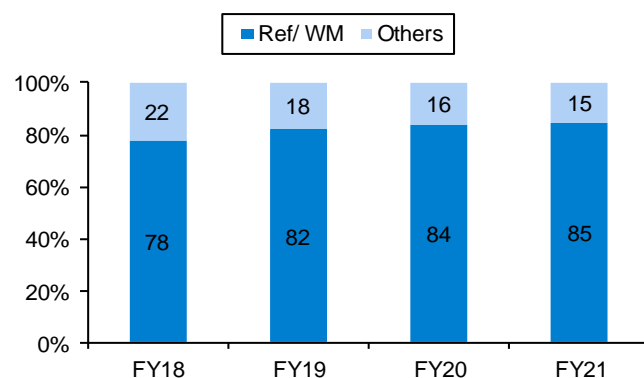
Exhibit 4: Q1FY22 Result Overview (Rs m): Sales grew by 30.5% YoY to Rs13.4bn; PAT grew by 62% to Rs255mn

Y/e March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Net Sales	13,406	10,271	30.5	17,794	-24.7	58,999	59,925	-1.5
Gross Profit	4,425	3,693	19.8	6,333	-30.1	21,559	23,426	-8.0
<i>% of Net Sales</i>	<i>33.0</i>	<i>36.0</i>		<i>35.6</i>		<i>36.5</i>	<i>39.1</i>	
Personnel Cost	1,576	1,487	6.0	1,626	-3.1	6,299	5,896	6.8
<i>% of Net Sales</i>	<i>11.8</i>	<i>14.5</i>		<i>9.1</i>		<i>10.7</i>	<i>9.8</i>	
Other Expenses	2,295	1,740	31.9	2,810	-18.4	10,071	10,796	-6.7
<i>% of Net Sales</i>	<i>17.1</i>	<i>16.9</i>		<i>15.8</i>		<i>17.1</i>	<i>18.0</i>	
EBITDA	555	466	18.9	1,897	-70.8	5,190	6,733	-22.9
<i>Margin (%)</i>	<i>4.1</i>	<i>4.5</i>		<i>10.7</i>		<i>8.8</i>	<i>11.2</i>	
Other income	140	142	(1.3)	132	6.5	896	1,287	(30.4)
Depreciation	331	284	16.8	362	(8.6)	153	199	(22.7)
EBIT	364	325	12.0	1,666	(78.2)	5,932	7,822	(24.2)
Interest	37	74	(50.0)	2	1,500.0	1,421	1,293	9.9
PBT	327	251	30.1	1,663	(80.3)	4,511	6,529	(30.9)
Total Taxes	94	87	8.1	425	(78.0)	1,179	1,766	(33.3)
<i>ETR (%)</i>	<i>28.6</i>	<i>34.4</i>		<i>25.6</i>		<i>26.1</i>	<i>27.0</i>	
Share of JV/Associates	22	-7		62		186	139	
Minority Interest	0	0		0		0	0	
Adj. PAT	255	158	62.0	1,301	(80.4)	3,518	4,902	(28.2)

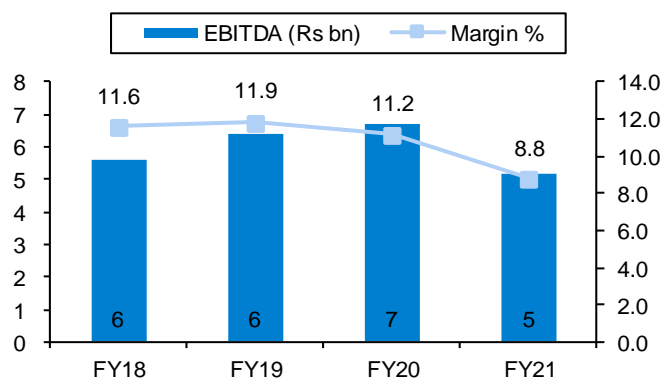
Source: Company, PL

Exhibit 5: FY21 revenues impacted by Covid


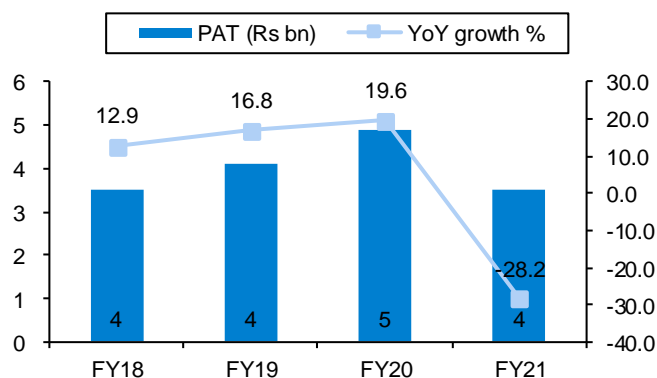
Source: Company, PL

Exhibit 6: Refs & WM contributed 85% of FY21 revenues


Source: Company, PL

Exhibit 7: Covid led to decline in FY21 EBITDA margins


Source: Company, PL

Exhibit 8: Lower ops/ Margin pressure impacted FY21 PAT


Source: Company, PL

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Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
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2	KEI Industries	BUY	854	749
3	Polycab India	Hold	1,977	1,912
4	SpiceJet	Hold	85	79

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
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Under Review (UR)	: Rating likely to change shortly



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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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