

# 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	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.

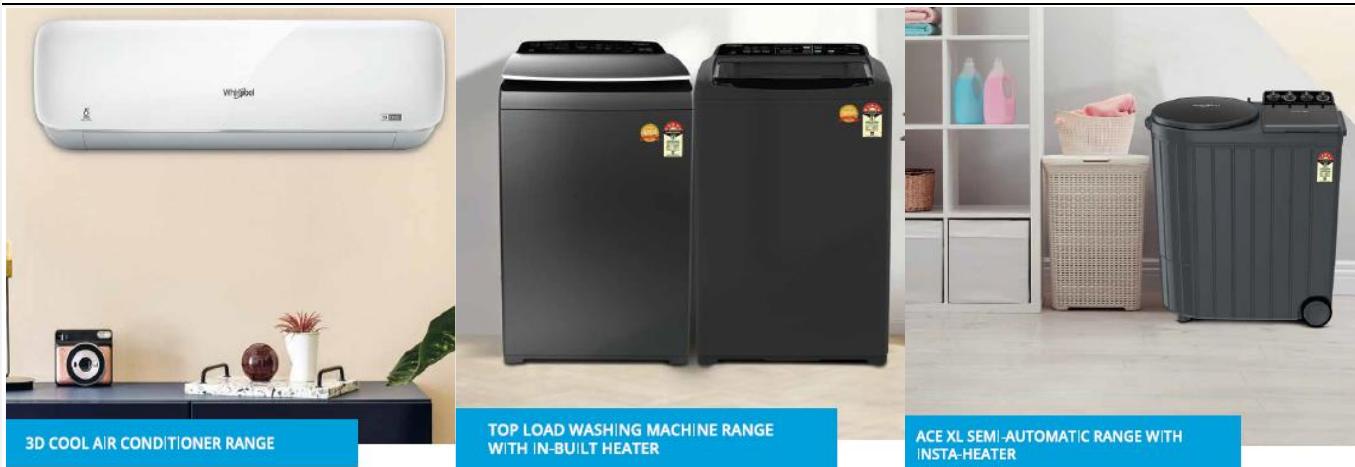
**We attended Whirlpool of India's (WHIRL) AGM wherein the management remained confident of growing faster than the industry while maintaining double digit margins by 1) increasing share of premiumisation within product mix 2) develop product leadership through relevant innovation by leveraging parent's 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 1<sup>st</sup> 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 its 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**

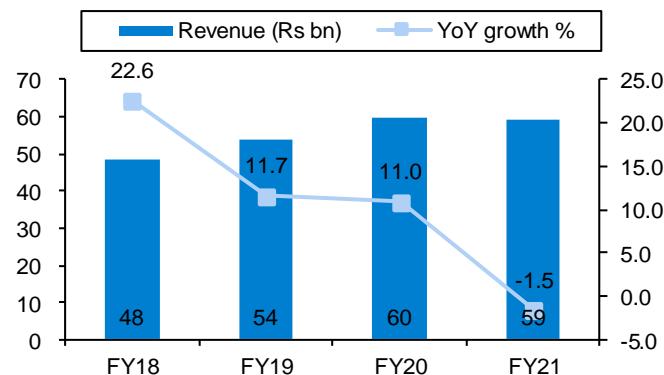
Source: Company, PL

## 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
% of Net Sales	33.0	36.0		35.6		36.5	39.1	
Personnel Cost	1,576	1,487	6.0	1,626	-3.1	6,299	5,896	6.8
% of Net Sales	11.8	14.5		9.1		10.7	9.8	
Other Expenses	2,295	1,740	31.9	2,810	-18.4	10,071	10,796	-6.7
% of Net Sales	17.1	16.9		15.8		17.1	18.0	
EBITDA	555	466	18.9	1,897	-70.8	5,190	6,733	-22.9
Margin (%)	4.1	4.5		10.7		8.8	11.2	
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)
ETR (%)	28.6	34.4		25.6		26.1	27.0	
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)

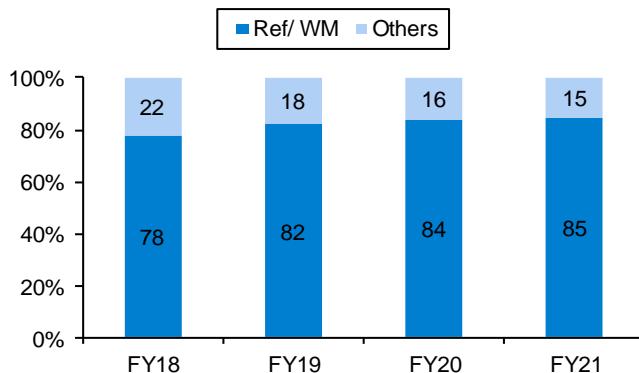
Source: Company, PL

## Exhibit 5: FY21 revenues impacted by Covid



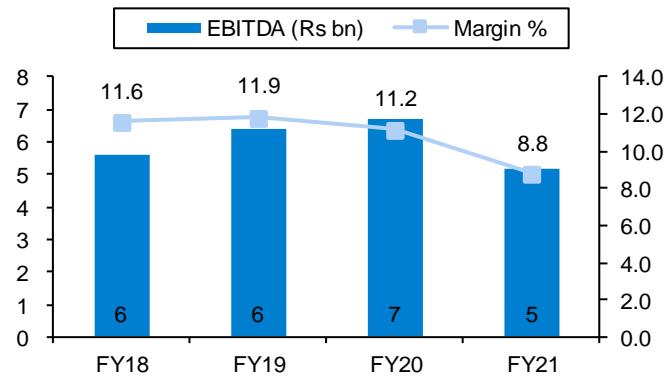
Source: Company, PL

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



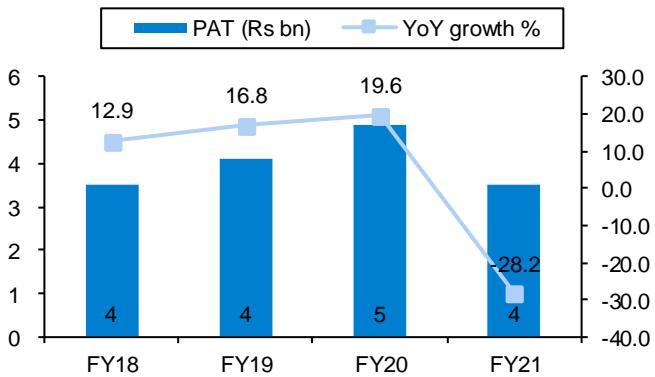
Source: Company, PL

## 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

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Hold	1,630	1,705
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)

<b>Buy</b>	: >15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## ANALYST CERTIFICATION

### **(Indian Clients)**

We/I, Mr. Paarth Gala- B.Com, Mr. Amnish Aggarwal- MBA, CFA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### **(US Clients)**

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## DISCLAIMER

### **Indian Clients**

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Paarth Gala- B.Com, Mr. Amnish Aggarwal- MBA, CFA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### **US Clients**

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

---

### **Prabhudas Lilladher Pvt. Ltd.**

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

[www.plindia.com](http://www.plindia.com) | Bloomberg Research Page: PRLD <GO>