

**Company Update**
**Consumer Goods**
**Whirlpool of India Ltd.**
**BUY**

<b>CMP (Rs)</b>	1,279
<b>Target Price (Rs)</b>	1,590
<b>Potential Upside</b>	24.3%
<b>Sensex</b>	35,065
<b>Nifty</b>	10,533

**Key Stock data**

<b>BSE Code</b>	500238
<b>NSE Code</b>	WHIRLPOOL
<b>Bloomberg</b>	WHIRL:IN
<b>Shares o/s, Cr (FV 10)</b>	12.7
<b>Market Cap (Rs Cr)</b>	16,278
<b>3M Avg Volume</b>	55,200
<b>52 week H/L</b>	1,955/1,252

**Shareholding Pattern**

(%)	Mar-18	Jun-18	Sep-18
<b>Promoter</b>	75.0	75.0	75.0
<b>FII</b>	4.6	4.3	4.4
<b>DII</b>	9.9	9.8	9.4
<b>Others</b>	10.5	10.9	11.2

**1 Year relative price performance**


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**Riding the consumption wave**

Headquartered in Gurugram, Whirlpool of India Limited (WIL) is one of India's leading manufacturer and marketers of major home appliances like Refrigerators (57% of revenues), Washing machines (21% of revenues), Air Conditioners (9% of revenues) and Microwave ovens. It has three state of the art manufacturing facilities at Faridabad, Pondicherry and Pune. With manufacturing facility in India, the company exports to Philippines, Sri Lanka, Bangladesh and Nepal. WIL has a strong parentage (Whirlpool Corporation) background with more than 100 years of history and has global presence in over 170 countries with 92,000 employees and 70 manufacturing locations.

**Investment Rationale**

- **Strong industry tailwinds to propel growth:** The consumer durables industry has witnessed robust growth over the last five years led by increased government spending on housing, electricity and rising disposable income. We believe the industry is well poised to deliver a 13% CAGR over FY18-21E given low penetration levels, higher GDP growth, rising disposable income and easy availability of consumer finance. Further, in addition to recent cut in GST rates (from 28% to 18%), government's focus on increasing rural income, providing housing and electricity augurs well for the industry growth.
- **Market share gain to continue:** WIL has been consistently gaining market share over the past two years led by distribution expansion and new product launches. We expect with strong industry growth prospects and WIL's plan to expand its distribution reach, increased branding efforts and new product launches is likely to drive growth for the company. WIL delivered a muted performance in H1FY19 (Revenue/PAT growth of 8.0%/17.5%) largely due to weak performance in Q2FY19. The growth in Q2FY19 was impacted on account of high base in Q2FY18, delayed festive season and floods in Kerala.

**Outlook & Valuation:**

WIL remains optimistic on delivering a double digit growth over the next few years given low penetration levels, rising disposable income and higher GDP growth. Further, WIL's constant efforts like expanding its distribution reach (both rural and urban), enhancing its product portfolio and increase in branding efforts has led to market share gain in the last two years. We expect the same trend to continue going forward despite rising competition. The company also aims to grow its export revenue (3.4% of FY18 revenues) faster than the domestic market. We believe with positive industry growth trends and recent GST rate cut coupled with WIL's expanding distribution network, new product launches, in-house manufacturing facilities, healthy return ratios and negative working capital makes it one of our preferred pick in the sector. We estimate WIL's Revenue/EBITDA/PAT to grow at CAGR of 14.3%/16.0%/18.0% over FY18-21E. Hence, we recommend a Buy on the stock with a target price of Rs. 1,590.

**Financial Summary**

Particulars, Rs cr	FY18	FY19E	FY20E	FY21E
Net revenue	4,832	5,460	6,334	7,220
EBITDA	560.0	649.7	779.0	873.7
EBITDAM (%)	11.6	11.9	12.3	12.1
APAT	350.7	418.6	509.2	576.4
APATM (%)	7.3	7.7	8.0	8.0
EPS (Rs)	27.6	33.0	40.1	45.4
PE (x)	46.3	38.8	31.9	28.1
RoE (%)	21.4	21.2	21.4	20.2

Source : Company; RBL Research

## P&amp;L Account

Particulars (cr)	FY18	FY19E	FY20E	FY21E
<b>Net sales</b>	<b>4,832</b>	<b>5,460</b>	<b>6,334</b>	<b>7,220</b>
<b>Expenditure</b>				
Employee cost	455	508	576	657
Total Raw material cost	2,999	3,391	3,933	4,484
Other expenses	818	912	1,045	1,206
Total expenditure	4,272	4,810	5,555	6,347
<b>EBITDA</b>	<b>560</b>	<b>650</b>	<b>779</b>	<b>874</b>
<b>EBITDAM (%)</b>	<b>11.6</b>	<b>11.9</b>	<b>12.3</b>	<b>12.1</b>
Other income	87	105	121	136
Depreciation	102	107	114	120
<b>PBIT</b>	<b>545</b>	<b>648</b>	<b>786</b>	<b>889</b>
Interest expenses	4	4	3	2
<b>PBT</b>	<b>541</b>	<b>644</b>	<b>783</b>	<b>887</b>
Tax	190	225	274	310
<b>Reported profit</b>	<b>351</b>	<b>419</b>	<b>509</b>	<b>576</b>
Exceptional Items	-	-	-	-
<b>Adjusted PAT</b>	<b>351</b>	<b>419</b>	<b>509</b>	<b>576</b>
<b>PATM (%)</b>	<b>7.3</b>	<b>7.7</b>	<b>8.0</b>	<b>8.0</b>

Source : Company; RBL Research

## Balance sheet

Particulars (cr)	FY18	FY19E	FY20E	FY21E
Share Capital	126.9	126.9	126.9	126.9
Reserves & Surplus	1,669	2,031	2,473	2,973
<b>Total Shareholder's Fund</b>	<b>1,796</b>	<b>2,158</b>	<b>2,600</b>	<b>3,100</b>
<b>Non-Current Liabilities</b>				
Long term borrowings	-	-	-	-
Other long term liabilities	11	11	11	11
Long term provision	151	151	151	151
<b>Current Liabilities</b>				
Trade payables	1,153	1,263	1,465	1,670
Short term provisions	29	31	33	33
Other current liabilities	83	91	106	121
<b>Total liabilities</b>	<b>3,224</b>	<b>3,705</b>	<b>4,366</b>	<b>5,086</b>
Fixed Assets	439	482	504	583
Current work in process	33	15	10	5
Intangible assets	7	8	9	9
Non current investment	456	506	561	620
Other non-current assets	97	107	132	157
<b>Current Assets</b>				
Inventories	810	887	1,029	1,173
Trade receivables	240	263	305	348
Cash & Cash equivalents	980	1,264	1,623	1,977
Other current assets	116	127	147	168
<b>Total assets</b>	<b>3,224</b>	<b>3,705</b>	<b>4,366</b>	<b>5,086</b>

Source : Company; RBL Research

## Cash Flow statement

Particulars (cr)	FY18	FY19E	FY20E	FY21E
Reported PBT	541	644	783	887
Depreciation	102	107	114	120
Tax paid	-190	-225	-274	-310
Working capital Change	20	9	14	12
<b>Operating Cash Flow (a)</b>	<b>472</b>	<b>534</b>	<b>637</b>	<b>709</b>
Capex	-153	-133	-131	-195
Free Cash Flow	319	401	506	514
Investments	-371	-60	-80	-84
<b>Investing Cash Flow (b)</b>	<b>-524</b>	<b>-193</b>	<b>-211</b>	<b>-279</b>
Debt Issuance/ (Repaid)	-	-	-	-
Dividend Paid	-51	-57	-67	-76
Share Capital Issuance, QIP	13	-	-	-
Others	12	-	-	-
<b>Financing Cash Flow (c)</b>	<b>-25</b>	<b>-57</b>	<b>-67</b>	<b>-76</b>
<b>Net Cash Flow (a + b + c)</b>	<b>-78</b>	<b>284</b>	<b>359</b>	<b>354</b>
Closing Cash	980	1,264	1,623	1,977

Source : Company; RBL Research

## Key Financial ratios

Particulars (cr)	FY18	FY19E	FY20E	FY21E
<b>Per Share Ratios</b>				
Dividend per share Rs	4.0	4.5	5.3	6.0
EPS Rs	27.6	33.0	40.1	45.4
CEPS Rs	35.6	41.4	49.1	54.9
Book value per share Rs	141.6	170.1	204.9	244.4
<b>Profitability Ratios</b>				
EBITDA Margin (%)	11.6	11.9	12.3	12.1
PBT Margin (%)	11.2	11.8	12.4	12.3
Net Profit Margin (%)	7.3	7.7	8.0	8.0
RoCE (%)	30.5	30.3	30.9	29.5
RoE (%)	21.4	21.2	21.4	20.2
Dividend Payout (%)	14.5	13.6	13.2	13.2
<b>Efficiency</b>				
Fixed Asset Turnover (x)	10.8	11.3	12.5	13.1
Debtors Velocity (Days)	18.2	17.6	17.6	17.6
Inventory (Days)	61.2	59.3	59.3	59.3
Interest Cover Ratio (x)	124.2	184.4	279.8	395.6
Debt-Equity Ratio (x)	-	-	-	-
Current ratio (x)	1.7	0.9	0.7	0.9
<b>Valuation Ratios</b>				
P/E (x)	46.3	38.8	31.9	28.1
P/B (x)	9.0	7.5	6.2	5.2
EV/EBIDTA (x)	27.2	23.0	18.7	16.3
Dividend Yield (%)	0.3	0.3	0.4	0.4

Source : Company; RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, 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 or date of the public appearance?		No
	I/ we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

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Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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