

# Whirlpool of India

29 December 2021

Reuters: WHIR.BO; Bloomberg: WHIRL IN

## Market share loss concern is overdone ; Trading at 2 standard deviations below mean; valuation attractive

As per our recent channel check, Whirlpool of India (WIL) has lost some market share to competition in last 6 months. The market share loss has come after the company had taken two consecutive price hikes in last 12 months whereas market leaders like LG/Samsung did not take price hikes. Our channel check suggests that competition has also started taking price hikes now (particularly LG). Going forward, pricing will also stabilize due to stabilization of raw material prices. This will lead to market share stabilization. Whirlpool has also launched dealer schemes Pan-India in order to correct prices. Although it is lagging against key competitors like LG/Samsung in premium products, we believe it will be able to ramp-up its positioning in premium products after import of higher end products was adversely impacted due to COVID-19 situation. Recent acquisition of remaining stake in Elica is in-line with the strategy of increasing focus in premium products. Whirlpool aims to be number the two brand in cooking in medium term. We maintain our Buy rating on WIL with a target price (TP) of Rs 2,700 based on 45x Sep'23E EPS. We expect continued growth momentum in short-to-medium term with customer-centric product innovation and distribution expansion.

**Q3 has been a muted quarter for white goods:** Our channel check had indicated that overall demand scenario has been tepid in the month of December which was offset by uptick of demand during wedding season. Last 15 days of December has been quite muted. Our earlier channel check had indicated that Festive season demand was mixed with strong offtake in urban areas and was offset by muted offtake in rural areas (MP, Gujrat, and MH). We believe that overall offtake would have declined in Q3 in volume terms. We have also noticed a strong offtake for LG/Samsung during festive season as comparison to other brands.

**Elica acquisition will aid overall growth for the company:** We believe acquisition of Elica is strategically correct. Our recent interaction with Franke Faber India management highlighted the fact that Faber India is expecting 15-20% Y-o-Y growth rate going forward due to improvement in real estate sector. This is a positive read across for the Elica and we believe Whirlpool stands to benefit going forward due to this acquisition. Elica is number 2 player in "Kitchen Chimney" category with ~20% market share (~Faber is leader with 23% market share).

**Valuation attractive, good entry point for the stock:** Whirlpool India (WIL) over the last few years has focused on customer-centric product innovation & distribution expansion which has resulted in strong top-line growth (Sales CAGR 15% from FY16-FY20). Its distribution reach is almost equivalent to MNC competitors like LG and Samsung now. Lower penetration of Refrigerator (~35%) and Washing machine (~15%) presents strong opportunity for growth in long term. It offers a structural growth opportunity for the long term along with the strongest balance sheet and cash flows in the industry. Contrary to what market think, We believe concern over market share loss is overdone and company will be able to recoup the market share going forward. At 33x FY23 and 27x FY24, the stock is trading almost 2 standard deviations below mean of 43x (1-year forward). We believe this is a good entry point for the stock. For FY21-FY24, we expect the company to register revenue/earnings CAGR of 18%/33%.

## BUY

Sector: Consumer Durables

CMP: Rs1,748.10

Target Price: Rs2,700

Upside: 54.5%

### Mayank Bhandari

Research Analyst

mayank.bhandari@nirmalbang.com

+91 99457 58662

### Key Data

Current Shares O/S (mn)	126.9
Mkt Cap (Rsbn/US\$bn)	221.8/3.0
52 Wk H / L (Rs)	2,787/1,712
Daily Vol. (3M NSE Avg.)	295,443

### Price Performance (%)

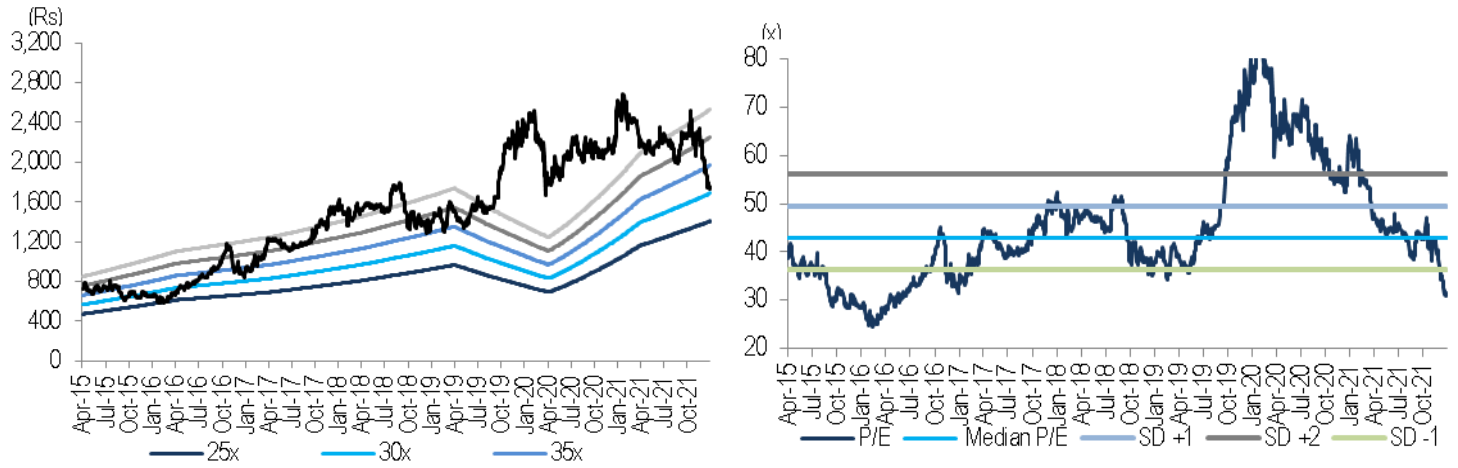
	1 M	6 M	1 Yr
Whirlpool of India	(14.1)	(21.2)	(30.3)
Nifty Index	1.4	9.5	23.1

Source: Bloomberg

Y/E March (Rsmn)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	59,925	58,995	70,428	83,022	96,240
EBITDA	6,733	5,186	5,916	9,215	10,971
Net profit	4,902	3,514	7,447	6,764	8,239
EPS (Rs)	38.6	27.7	58.7	53.3	64.9
EPS Growth (%)	19.6	(28.3)	111.9	(9.2)	21.8
EBITDA margin (%)	11.2	8.8	8.4	11.1	11.4
P/E (x)	45.2	63.1	29.8	32.8	26.9
P/BV (x)	8.7	7.8	7.0	6.0	5.1
EV/EBITDA (x)	31.0	38.8	35.1	22.0	17.9
Dividend Yield (%)	0.3	0.3	0.5	0.7	0.7
RoCE (%)	23.5	14.1	14.7	22.1	23.0
RoE (%)	20.8	13.0	14.0	19.7	20.5
RoIC (%)	102.1	61.7	41.1	47.5	57.3

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 1: P/E charts**



Source: Nirmal Bang Institutional Equities Research

**Financials (Consolidated)**
**Exhibit 2: Income statement**

Y/E March (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Net sales	59,925	58,995	70,428	83,022	96,240
% growth	11.0	(1.6)	19.4	17.9	15.9
Raw material cost	36,499	37,440	45,074	51,473	59,669
Staff cost	5,896	6,299	7,465	8,468	9,817
Other overheads	10,796	10,071	11,973	13,865	15,783
Total Expenditure	53,192	53,809	64,512	73,806	85,269
EBITDA	6,733	5,186	5,916	9,215	10,971
% growth	4.9	(23.0)	14.1	55.8	19.1
EBITDA margin (%)	11.2	8.8	8.4	11.1	11.4
Other income	1,287	896	1,060	1,180	1,380
Interest	199	153	184	166	149
Depreciation	1,293	1,421	1,512	1,592	1,674
Exceptional items	0	0	3,246	0	0
Profit Before Tax	6,529	4,507	8,525	8,638	10,528
Tax	1,766	1,179	1,329	2,174	2,650
Profit from associates	139	186	251	301	361
Reported net profit	4,902	3,514	7,447	6,764	8,239
Adjusted net profit	4,902	3,514	4,201	6,764	8,239
% growth	19.6	(28.3)	19.6	61.0	21.8

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: Balance sheet**

Y/E March (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Share capital	1,269	1,269	1,269	1,269	1,269
Reserves	24,366	27,314	30,374	35,616	42,332
Net worth	25,635	28,583	31,642	36,884	43,601
Total Loans	0	0	0	0	0
Deferred Tax Liability Net	(375)	(417)	240	240	240
<b>Liabilities</b>	<b>25,260</b>	<b>28,166</b>	<b>31,883</b>	<b>37,125</b>	<b>43,841</b>
Net Block	7,089	7,072	7,870	8,278	8,604
Capital work-in-progress	441	410	100	100	100
Long-term Investments	5,672	2,074	2,074	2,074	2,074
Inventories	11,659	12,738	12,349	13,538	15,367
Debtors	3,217	3,790	3,280	3,867	4,482
Cash	12,840	20,632	13,854	18,908	25,435
Other Current assets	2,711	3,352	3,521	4,151	4,812
Total Current assets	30,427	40,511	33,004	40,465	50,097
Creditors	14,311	16,604	16,671	18,756	21,415
Other current liabilities	4,058	5,298	4,622	5,164	5,746
Total current liabilities	18,369	21,901	21,293	23,920	27,161
Net current assets	12,059	18,610	11,711	16,545	22,935
<b>Total Assets</b>	<b>25,260</b>	<b>28,166</b>	<b>31,883</b>	<b>37,125</b>	<b>33,713</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: Cash flow**

Y/E March (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
EBIT	5,440	3,765	4,404	7,624	9,297
(Inc)/Dec in working capital	(824)	1,240	121	221	136
<b>Cash flow from operations</b>	<b>4,616</b>	<b>5,005</b>	<b>4,525</b>	<b>7,844</b>	<b>9,433</b>
Other income	1,287	896	1,060	1,180	1,380
Depreciation	1,293	1,421	1,512	1,592	1,674
Tax paid (-)	(1,797)	(1,221)	(672)	(2,174)	(2,650)
Profit from associate	139	186	251	301	361
<b>Net cash from operations</b>	<b>5,538</b>	<b>6,287</b>	<b>6,676</b>	<b>8,743</b>	<b>10,199</b>
Capital expenditure (-)	(3,308)	(1,374)	(2,000)	(2,000)	(2,000)
<b>Net cash after capex</b>	<b>2,231</b>	<b>4,913</b>	<b>4,676</b>	<b>6,743</b>	<b>8,199</b>
Interest paid (-)	(199)	(153)	(184)	(166)	(149)
Dividends paid (-)	(634)	(634)	(1,142)	(1,522)	(1,522)
Inc./(dec.) in total borrowings	-	-	-	-	-
(Inc.)/Dec. in investments	919	3,598	-	-	-
<b>Cash from Financial Activities</b>	<b>86</b>	<b>2,810</b>	<b>(1,326)</b>	<b>(1,688)</b>	<b>(1,672)</b>
Others	(87)	27	(2,589)	0	-
Opening cash	10,610	12,840	20,632	13,854	18,908
Closing cash	12,840	20,632	13,854	18,908	25,435
Change in cash	2,230	7,792	(6,778)	5,055	6,527

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: Key ratios**

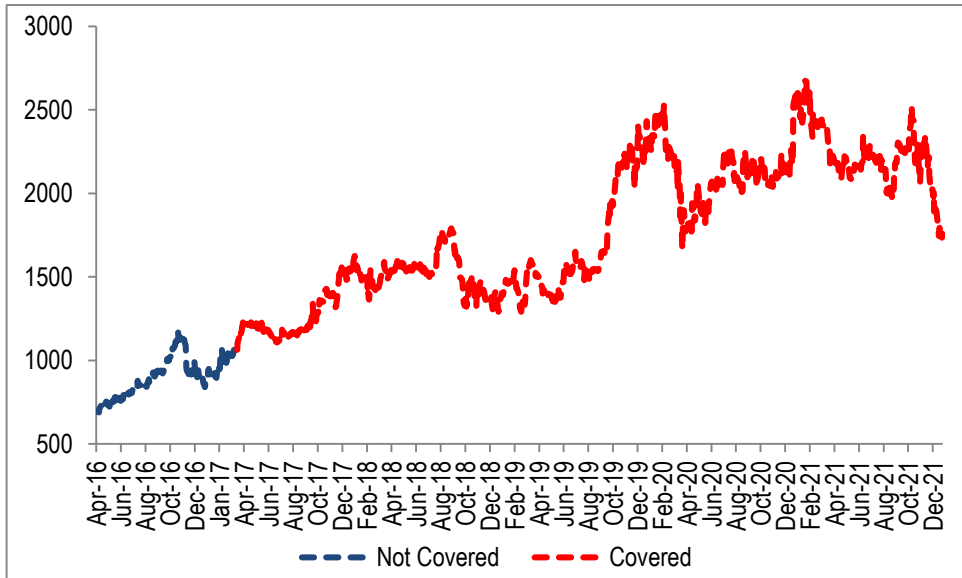
Y/E March	FY20	FY21	FY22E	FY23E	FY24E
<b>Per share (Rs)</b>					
EPS	38.6	27.7	58.7	53.3	64.9
Book value	202.1	225.3	249.4	290.7	343.7
<b>Valuation (x)</b>					
P/E	45.2	63.1	29.8	32.8	26.9
P/BV	8.7	7.8	7.0	6.0	5.1
EV/EBITDA	31.0	38.8	35.1	22.0	17.9
EV/Sales	3.5	3.4	3.0	2.4	2.0
<b>Return ratio (%)</b>					
RoCE	23.5	14.1	14.7	22.1	23.0
RoE	20.8	13.0	14.0	19.7	20.5
RoIC	102.1	61.7	41.1	47.5	57.3
<b>Profitability ratio (%)</b>					
EBITDA margin	11.2	8.8	8.4	11.1	11.4
EBIT margin	9.1	6.4	6.3	9.2	9.7
PAT margin	8.2	6.0	10.6	8.1	8.6
<b>Turnover ratio</b>					
Total asset turnover ratio (x)	2.4	2.1	2.2	2.2	2.9
Debtor days	20	23	17	17	17
Inventory days	117	124	100	96	94
Creditors days	143	162	135	133	131

Source: Company, Nirmal Bang Institutional Equities Research

**Rating track**

Date	Rating	Market price	Target price (Rs)
16 March 2017	Buy	1,040	1,305
7 April 2017	Buy	1,220	1,305
17 May 2017	Buy	1,190	1,400
6 July 2017	Buy	1,174	1,400
8 August 2017	Buy	1,191	1,400
20 September 2017	Buy	1,335	1,560
9 October 2017	Buy	1,349	1,560
27 October 2017	Buy	1,400	1,620
27 November 2017	Buy	1,515	1,775
9 January 2018	Buy	1,531	1,775
2 February 2018	Buy	1,459	1,740
6 April 2018	Buy	1,530	1,740
9 May 2018	Buy	1,547	1,780
4 June 2018	Buy	1,547	1,780
10 July 2018	Buy	1,523	1,780
10 August 2018	Accumulate	1,725	1,900
18 September 2018	Buy	1,600	1,900
9 October 2018	Buy	1,355	1,900
6 November 2018	Buy	1,401	1,850
9 January 2019	Buy	1,453	1,850
5 February 2019	Buy	1,495	1,820
9 April 2019	Buy	1,453	1,900
27 May 2019	Buy	1,379	1,840
9 July 2019	Buy	1,552	1,840
13 August 2019	Buy	1,540	1,840
23 September 2019	Buy	1,842	2,205
7 October 2019	Buy	1,996	2,205
11 November 2019	Buy	2,198	2,535
9 January 2020	Buy	2,347	2,535
10 February 2020	Accumulate	2,501	2,485
26 March 2020	Buy	1,825	2,435
9 April 2020	Buy	1,827	2,435
19 June 2020	Accumulate	2,111	2,120
9 July 2020	Accumulate	2,226	2,120
25 July 2020	Accumulate	2,213	2,120
7 August 2020	Accumulate	2,098	2,120
23 September 2020	Accumulate	2,153	2,310
9 October 2020	Accumulate	2,115	2,310
3 November 2020	Buy	2,048	2,355
7 January 2021	Accumulate	2,541	2,560
4 February 2021	Accumulate	2,447	2,545
9 April 2021	Accumulate	2,182	2,545
15 June 2021	Buy	2,352	2,725
10 August 2021	Buy	2,101	2,600
1 November 2021	Buy	2,129	2,700
29 December 2021	Buy	1,748	2,700

**Rating track graph**



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Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,

Nr. Peninsula Corporate Park,

Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010