KRChoksey | institutional

WHIRLPOOL OF INDIA LTD.

RESULT UPDATE

22nd May 2017

Whirlpool of India Ltd.

Summer looks Promising for Cooling Products

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,158	**INR 1,375**	**18.7%**	**146917.6**	**Buy**	**Consumer Durables**

Result highlights

Whirlpool of India Ltd (WOIL) posted its Q4FY17 and FY17 results. Net revenue for Q4FY17 was at INR 11142.9 Mn which grew by 19.2% y-o-y and 23.7% q-o-q. For FY17 net revenue was at INR 44333.7 Mn with the growth of 14.5% yoy. EBIDTA for Q4FY17 stood at INR 1245.8 Mn with margins of 11.2% which was a decrease of 22.8bps yoy and increase of 182.1bps qoq due to higher inventory and employee cost. For FY17, EBIDTA stood at INR 4888.4 Mn with margins of 11.2%. PAT for Q4FY17 stood at INR 743.8Mn and PAT margin was at 6.4% which saw a decline of 65.3bps yoy and an increase of 43.8bps qoq. For FY17 PAT stood at INR 3104.9 Mn with PAT margins of 7.1%

MARKET DATA

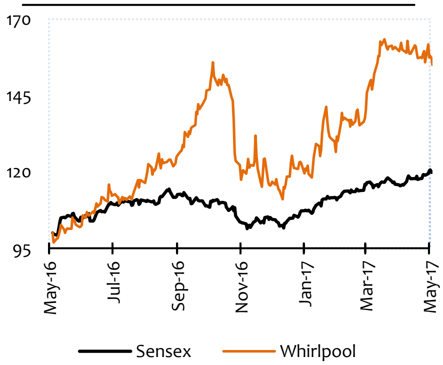
Shares outs (Mn)	127
EquityCap (INR Mn)	1269
Mkt Cap (INR Mn)	146917.6
52 Wk H/L (INR)	1290/720
Volume Avg (3m K)	88.7
Face Value (INR)	10
Bloomberg Code	WHIRL IN

KEY FINANCIALS

Particulars (INR Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	32,937.8	38,076.4	43,603.9	49,090.9	55,519.9
EBITDA	3,312.9	3,835.2	4,888.6	6,278.8	7,191.2
PAT	2,105.4	2,400.2	3,104.9	4,149.4	4,844.6
EPS	16.6	18.9	24.5	32.7	38.2
OPM	10.1%	10.1%	11.2%	12.8%	13.0%
NPM	6.4%	6.3%	7.1%	8.5%	8.7%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



Revival in Consumer Demand: Post demonetization, the Indian consumer market has witnessed improvement in demand for the consumer products. There has been more buying from Tier one and Tier two cities, also the rural demand has picked up. For Q4FY17 Whirlpool of India Ltd. (WOIL) has reported net revenue of INR 11,142.9, which grew by 19.2% YoY and 23.7% QoQ, during this season the industry witnessed around 20% growth in sales of cooling products on YoY basis. For FY17 WOIL reported net revenue of INR 43,603.9 Mn as compared to INR 35,514.2 in FY16 a growth of 22.8% YoY. WOIL's major revenue of around 75% is contributed by Refrigerators and around 25% is contributed by Washing Machines. WOILs Refrigerators sales has grown at CAGR of 9.5% between FY11 & FY17 and grew by 18.5% during FY17; while washing machines sales has grown at CAGR of 12.2% between FY11 & FY17 and grew by 20.7% during FY17 on YoY basis.

Margins in Line with Estimates: EBIDTA for Q4FY17 stood at INR 1245.8 Mn with margins of 11.2% which was a decrease of 22.8 bps YoY and increase of 182.1 bps QoQ due to higher inventory and employee cost. For FY17, EBIDTA stood at INR 4888.4 Mn with margins of 11.2%. PAT for Q4FY17 stood at INR 743.8 Mn and PAT margin was at 6.4% which saw a decline of 65.3 bps YoY and an increase of 43.8 bps QoQ. For FY17 PAT stood at INR 3104.9 Mn with PAT margins of 7.1%.

MARKET INFO

SENSEX	30435
NIFTY	9429

Valuation & Views: Whirlpool of India Ltd., a subsidiary of Whirlpool Corporation USA, entered India in the late 1980s as part of its global expansion strategy. The company forayed into the market under a joint venture with TVS group. Whirlpool of India headquartered in Gurgaon, is now one of the leading manufacturers and marketers of major home appliances in the country. WOIL is entering into new ways to capture additional market share by focusing on built-in kitchen products. Whirlpool has already opened two such showrooms in Jaipur and Kolkata. With positive response for built-in kitchen products, it will further expand its footprint in this segment. WOIL is a zero debt company and it is generating high RoE of 23.4% and RoCE of 21.8%. At CMP of INR 1,158 the stock is trading at P/E of 30.8x for FY19E, we expect the Revenue and PAT to grow at CAGR of 13.9% and 23.2% respectively between FY15 and FY19E. We have a **"BUY" rating on the stock with Target Price of INR 1,375 representing an upside of 18.7%.**

SHARE HOLDING PATTERN (%)

Particulars	Mar 17	Dec 16	Sep 16
Promoters	65.26	75	75
FIIs	5.66	6.51	6.41
DIIs	7.33	8.57	8.1
Others	21.75	9.92	10.49
Total	100	100	100

13.9%

Revenue CAGR between FY15 and FY19E

23.2%

PAT CAGR between FY15 and FY19E

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Whirlpool of India Ltd.

Q4FY17 Result Snapshot

Exhibit 1 Quarterly Income Statement (INR Mn)

Particulars	Q4 FY17	Q3 FY17	Q4 FY16	Q-o-Q change %	Y-o-Y change %
Net Sales & Other Operating Income	**11142.9**	**9009.4**	**9347.3**	23.7%	19.2%
Total Expenditure	**9897.1**	**8166.2**	**8280.9**	21.2%	19.5%
Cost of Raw Materials	5615.5	3844.7	4405.7	46.1%	27.5%
Purchase of Finished Goods	2649.5	1066.9	2012.0	148.3%	31.7%
(Increase) / Decrease In Stocks	-2332.8	-322.1	-1549.5	624.2%	50.6%
Employee Cost	1940.5	1634.5	1600.0	18.7%	21.3%
Operating & Manufacturing Expenses	1027.0	1034.3	950.7	-0.7%	8.0%
EBIDTA	**1245.8**	**843.2**	**1066.4**	47.7%	16.8%
EBITDA Margins (%)	*11.2%*	*9.4%*	*11.4%*	*182.1*	*-22.8*
Depreciation	248.4	195.0	205.4	27.4%	20.9%
EBIT	**1165.5**	**837.7**	**1013.3**	39.1%	15.0%
Other Income	168.1	189.5	152.3	-11.3%	10.4%
Interest	6.3	22.4	14.4	-71.9%	-56.3%
PBT	**1159.2**	**815.3**	**998.9**	42.2%	16.0%
Tax	415.4	260.9	306.1	59.2%	35.7%
PAT before Exceptional	**743.8**	**561.9**	**685.0**	32.4%	8.6%
PAT Margin (%)	*6.7%*	*6.2%*	*7.3%*	*43.8*	*-65.3*
EPS	**5.9**	**4.4**	**5.5**	32.4%	7.4%

Source: Company, KRChoksey Research

Exhibit 2 FY17: Income Statement

INR Mn	FY15	FY16	FY17E	FY18E	FY19E
Gross Sales	**32,937.8**	**38,076.4**	**43,603.9**	**49,090.9**	**55,519.9**
EXPENDITURE :					
Cost of Materials Consumed	16,229.72	16,200.34	18,898.70	19,014.18	21,440.51
Purchase of Stock In Trade	4,485.09	4,475.94	6,162.60	6,892.64	7,772.19
(Increase) / Decrease In Stocks	-1,002.16	-311.23	-1,960.00	950.71	1,072.03
Total RM Costs	**19,712.64**	**20,365.05**	**23,101.30**	**26,857.53**	**30,284.73**
Employee Cost	3,152.64	3,826.60	4,116.40	5,154.55	5,829.59
Other Expenses	6,759.62	10,049.52	11,497.60	10,800.00	12,214.39
Total Expenditure	**29,624.90**	**34,241.17**	**38,715.30**	**42,812.08**	**48,328.70**
Operating Profit (EBIDTA)	**3,312.92**	**3,835.23**	**4,888.60**	**6,278.84**	**7,191.23**
EBIDTA Margin %	10.1%	10.1%	11.2%	12.8%	13.0%
Depreciation	681.3	769.3	874.7	783.1	822.2
Operating Profit (EBIT)	2,631.7	3,065.9	4,013.9	5,495.8	6,369.0
Other Income	380.0	553.3	729.8	490.9	610.7
Interest	6.2	51.8	58.9	58.9	58.9
Profit before Tax	**3,005.49**	**3,559.43**	**4,684.80**	**5,927.78**	**6,920.82**
Provision for Tax	900.1	1,159.3	1,579.9	1,778.3	2,076.2
Tax Rate %	29.9%	32.6%	33.7%	30.0%	30.0%
Other Comprehensive Income	0.0	0.0	0.0	0.0	0.0
Profit After Tax	**2,105.36**	**2,400.18**	**3,104.90**	**4,149.44**	**4,844.58**
PAT Margin %	6.4%	6.3%	7.1%	8.5%	8.7%

Source: Company, KRChoksey Research

Whirlpool of India Ltd.

Exhibit 3 FY17: Balance Sheet

INR Mn	FY15	FY16	FY17E	FY18E	FY19E
EQUITY AND LIABILITIES					
Share Capital	1268.7	1268.7	1268.7	1268.7	1268.7
Total Reserves	7889.3	10388.3	13561.9	17711.3	22555.9
Shareholder's Funds	**9158.0**	**11657.0**	**14830.6**	**18980.0**	**23824.6**
Minority Interest	0.0	0.0	0.0	0.0	0.0
Long-Term Borrowings	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liabilities (Net)	24.4	29.5	0.0	0.0	0.0
Other Long-term Liabilities	0.0	142.4	137.3	137.3	137.3
Long-Term Provisions	684.0	782.5	1254.3	1254.3	1254.3
Total Non-Current Liabilities	**708.4**	**954.4**	**1391.6**	**1391.6**	**1391.6**
Short-Term Borrowings	0.0	0.0	0.0	0.0	0.0
Trade Payables	84.7	0.0	0.0	0.0	0.0
Other Current Liabilities	8095.1	9600.1	12283.3	11037.3	12445.8
Short-Term Provisions	443.2	300.3	255.8	255.8	255.8
Total Current Liabilities	**8623.1**	**9900.4**	**12539.1**	**11293.1**	**12701.6**
Total Liabilities	**18489.5**	**22511.8**	**28761.3**	**31664.8**	**37917.8**
ASSETS					
Non-Current Assets					
Net Block	3827.0	3662.0	3978.1	3878.7	3708.3
Capital Work in Progress	132.0	366.6	295.4	295.4	295.4
Goodwill on consolidation	0.0	0.0	0.0	0.0	0.0
Non Current Investments	0.0	0.0	1296.8	1296.8	1296.8
Deferred tax assets	0.0	0.0	159.2	159.2	159.2
Long Term Loans & Advances	460.5	147.0	128.5	128.5	128.5
Other Non Current Assets	50.3	378.0	570.9	570.9	570.9
Total Non-Current Assets	**4469.7**	**4553.6**	**6428.9**	**6329.5**	**6159.1**
Current Assets					
Inventories	6590.1	6835.1	8887.6	8462.0	9541.8
Sundry Debtors	1550.7	1926.3	2048.6	2488.2	2814.0
Cash and Bank	5357.1	8563.0	10589.5	13578.4	18596.2
Currents Investments	0.0	0.0	0.0	0.0	0.0
Short Term Loans and Advances	479.8	526.8	758.3	758.3	758.3
Other Current Assets	42.3	107.0	48.4	48.4	48.4
Total Current Assets	**14019.9**	**17958.2**	**22332.4**	**25335.3**	**31758.7**
Total Assets	**18489.5**	**22511.8**	**28761.3**	**31664.8**	**37917.8**

Source: Company, KRChoksey Research

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Whirlpool of India Ltd.

Exhibit 4 FY17: Cash flow statement

INR Mn	FY15	FY16	FY17E	FY18E	FY19E
PBT	3,005.5	3,559.4	3,559.4	5,927.8	6,920.8
Add: Depreciation	681.3	769.3	769.3	783.1	822.2
Add: Interest	6.2	51.8	58.9	58.9	58.9
Increase / Decrease in WC	1,019.3	2,262.0	2,616.0	-2,519.8	-5,628.2
Less: Taxes	847.3	1,159.3	1,579.9	1,778.3	2,076.2
Cash flow from Operations	2,999.1	3,470.6	4,108.7	3,240.6	2,300.9
Cash flow from Investing Activity	-552.7	-270.7	-1,025.3	-1,099.1	-1,029.4
Cash flow from Financing Activity	-6.2	-51.8	2,299.1	785.7	3,746.3
Net change in Cash (Inflow/Outflow)	2,440.2	3,148.1	2,234.3	2,927.3	5,017.8
Opening Cash balance	27,66.8	5,207.1	8,355.2	10,589.5	13,516.8
Closing Cash Balance	5,207.1	8,355.2	10,589.5	13,516.8	18,534.5

Source: Company, KRChoksey Research

Exhibit 5 FY17: Ratio Analysis

INR	FY15	FY16	FY17	FY18E	FY19E
EPS	16.6	18.9	24.5	32.7	38.2
BV	72.2	91.9	116.9	149.6	187.8
DPS	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	10.1%	10.1%	11.2%	12.8%	13.0%
PAT Margin (%)	6.4%	6.3%	7.1%	8.5%	8.7%
Net Sales Growth %	16.2%	15.6%	14.5%	12.6%	13.1%
EBIDTA Growth %	56.6%	15.8%	27.5%	28.4%	14.5%
PAT Growth %	71.3%	14.0%	29.4%	33.6%	16.8%
PE (x)	0.0	0.0	50.1	37.5	32.1
Price/BV	0.0	0.0	10.5	8.2	6.5
EV/EBITDA	-1.6	-2.2	29.6	22.6	19.0
EV/Sales	-0.2	-0.2	3.3	2.9	2.5
ROE (%)	25.4%	23.1%	23.4%	24.5%	22.6%
Net Debt/Equity %	-58.5%	-73.5%	-71.4%	-71.5%	-78.1%

Source: Company, KRChoksey Research

Whirlpool of India Ltd.

Whirlpool of India Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
22-May-17	1,158	1,375	BUY	**Buy**	More than 15%
12-Apr-17	1,213	1,507	BUY	**Accumulate**	5% – 15%
				Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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