

Whirlpool of India

Estimate change



TP change



Rating change



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Bloomberg	WHIRL IN
Equity Shares (m)	127
M.Cap.(INRb)/(USD\$b)	268 / 3.6
52-Week Range (INR)	2777 / 1983
1, 6, 12 Rel. Per (%)	-9/-21/-41
12M Avg Val (INR M)	268

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	59.0	67.3	83.2
EBITDA	5.4	6.1	8.7
PAT	3.5	4.1	6.0
EBITDA (%)	9.2	9.1	10.5
EPS (INR)	27.8	32.5	47.5
EPS Gr. (%)	(25.9)	16.9	46.1
BV/Sh. (INR)	222.5	250.2	290.6
Ratios			
Net D/E	(0.7)	(0.8)	(0.8)
RoE (%)	12.5	13.0	16.4
RoCE (%)	13.1	13.5	16.9
Payout (%)	18.0	15.0	15.0
Valuations			
P/E (x)	75.9	64.9	44.4
P/BV (x)	9.5	8.4	7.3
EV/EBITDA (x)	45.4	39.8	27.3
Div Yield (%)	0.2	0.2	0.3
FCF Yield (%)	1.6	1.3	2.1

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	75.0	75.0	75.0
DII	11.3	11.0	11.3
FII	2.7	3.4	3.5
Others	11.1	10.6	10.2

FII Includes depository receipts

CMP: INR2,113
TP: INR2,650 (+25%)
Buy

Revenue in line; commodity prices dent gross margin

Two-year revenue CAGR stood much better than RAC peers

- WHIRL's revenue grew 31% YoY in 1QFY22 (in line with our estimate), with a **two-year CAGR at -18%, which is better than Room AC players like VOLT (est. -30%), BLSTR (-25%), Hitachi (-28%)**. It is the only White Goods company in our coverage universe to meet our revenue expectations in 1QFY22.
- Gross margin was impacted (-300bp YoY) due to commodity cost inflation and adverse revenue mix. EBITDA stood 34% below our estimate, with margin at 4.1% (est. 6.5%). The decline in gross margin could be partly attributed to WHIRL's focus on gaining market share in the mass market categories of Refrigerators and Washing Machines.
- WHIRL's revenue growth doesn't suggest any market share loss, providing us confidence in the strong White Goods franchise. On a relative basis, demand for Washing Machines and Refrigerators can potentially surprise over the next six months v/s a seasonal category like ACs, provided consumer demand holds good as the economy opens up. We cut our FY22E/23E EPS by 10% each to factor in higher than expected input cost pressures. Our TP stands at INR2,650/share (earlier: INR2,900/share) as we roll forward our valuation to Sep'23E EPS, but cut our target P/E to 50x from 55x earlier. We maintain our **Buy** rating.

Topline in line; gross margin pressure led to an earnings miss

- 1QFY22 snapshot:** Revenue rose 31% YoY to INR13.4b and **was in line with our estimate**. Gross margin contracted by 300bp YoY to 33%. EBITDA margin stood at 4.1% v/s our estimate of 6.5%. Other income was weak at INR140m, despite a higher cash balance. As a result, adjusted PAT stood at INR233m (+42% YoY) and **was 58% lower than our estimate of INR552m**.

Valuation and view

- While demand has quickly normalized for Consumer Electrical categories, offtake for Durables remained under pressure in 1QFY22. WHIRL's 1QFY22 two-year revenue CAGR of -18% is better than Room AC players in our coverage universe (barring Lloyd's) and provides us confidence that the company continues to see market share gains rather than general apprehensions of a risk to market share.
- Unlike peers, WHIRL hasn't resorted to aggressive cost cutting measures during COVID-19. As the economy recovers from the lockdowns, operating leverage should aid margin normalization by FY24E to 11.3%. The impact of commodity price inflation has been higher than our expectation, leading us to cut our FY22E/FY23E EPS by 10% each. Our TP stands at INR2,650/share (earlier: INR2,900/share) as we roll forward our valuation to Sep'23E EPS, but cut our target P/E to 50x. We maintain our **Buy** rating.

Quarterly performance

(INR m)

Y/E March	FY21				FY22				FY21	FY22E	FY22E 1QE	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Sales	10,271	15,995	14,940	17,794	13,406	18,000	16,500	19,390	58,999	67,296	12,832	4%
Change (%)	-48.0	14.8	17.5	31.5	30.5	12.5	10.4	9.0	-1.5	14.1	24.9	
EBITDA	466	1,812	1,270	1,897	555	1,820	1,468	2,278	5,445	6,120	838	-34%
Change (%)	-84.6	27.8	41.6	38.5	18.9	0.5	15.6	20.1	-19.1	12.4	79.7	
As a percentage of Sales	4.5	11.3	8.5	10.7	4.1	10.1	8.9	11.7	9.2	9.1	6.5	
Depreciation	284	424	351	362	331	350	370	382	1,421	1,433	370	-11%
Interest	74	10	68	2	37	40	40	37	153	153	50	-26%
Other Income	142	348	284	132	140	300	300	245	905	985	320	-56%
PBT	251	1,726	1,135	1,663	327	1,730	1,358	2,104	4,776	5,518	738	-56%
Tax	87	440	293	425	94	435	342	520	1,245	1,391	186	
Effective Tax Rate (%)	34.4	25.5	25.9	25.6	28.6	25.2	25.2	24.7	26.1	25.2	25.2	
Extra-ordinary Items	0	0	-197	0	0	0	0	0	-197	0	0	
Reported PAT	165	1,286	644	1,238	233	1,295	1,016	1,584	3,333	4,127	552	-58%
Change (%)	-91.4	3.0	-12.1	41.7	41.7	0.6	57.8	27.9	-30.0	23.8	235.4	
Adj. PAT	165	1,286	841	1,238	233	1,295	1,016	1,584	3,530	4,127	552	-58%
Change (%)	-91.4	3.0	14.9	41.7	41.7	0.6	20.8	27.9	-25.9	16.9	235.4	

Exhibit 1: In White Goods, WHIRL's two-year revenue CAGR is better than RAC companies like VOLT, BLSTR, and Hitachi

Revenue (INR m)	1QFY20	1QFY21	1QFY22	YoY	Two-year CAGR
WHIRL	19,742	10,271	13,406	30.5%	-17.6%
VOLT – UCP [#]	17,488	8,113 [#]	9,631 [#]	18.7%	-25.8%
BLSTR – UCP	9,069	2,749	5,054	83.9%	-25.4%
Lloyd – UCP	6,520	3,062	4,944	61.5%	-12.9%
Johnson Controls-Hitachi Air*	9,519	2,696	4,920	82.5%	-28.1%
IFB Industries*	6,747	2,794	5,524	97.7%	-9.5%

Source: MOFSL, Company; *not covered; [#]segmental reclassification

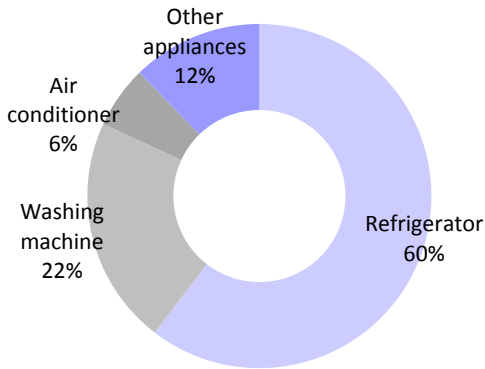
Exhibit 2: Even on an annual basis, WHIRL's topline growth doesn't suggest any market share loss

Revenue (INR m)	FY19	FY20	FY21	YoY	Two-year CAGR
HAVL – Overall	1,00,677	94,292	1,04,279	11%	2%
CROMPTON	44,789	45,120	47,500	5%	3%
VOLT – Overall	71,241	76,581	75,558	-1%	3%
BLSTR – Overall	52,348	53,602	42,636	-20%	-10%
ORIENTEL	18,644	20,618	20,326	-1%	4%
POLYCAB*	79,856	88,300	89,265	1%	6%
WHIRL	54,093	59,925	58,999	-2%	4%
Johnson Controls-Hitachi Air*	22,413	21,974	16,465	-25%	-14%
IFB Industries*	25,364	25,514	27,165	6%	3%
VGRD*	25,664	24,820	26,990	9%	3%
AC segments					
VOLT – UCP	31,555	40,737	35,550	-13%	6%
BLSTR – UCP	22,690	23,006	18,683	-19%	-9%
Lloyd – UCP	18,556	15,903	16,888	6%	-5%

Source: MOFSL, Company; *not covered

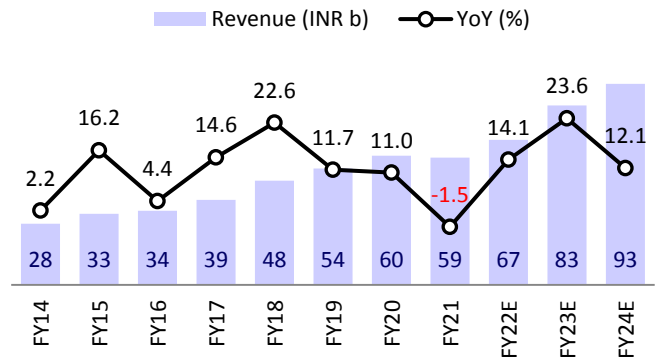
Story in charts

Exhibit 3: Revenue breakdown (FY21E)



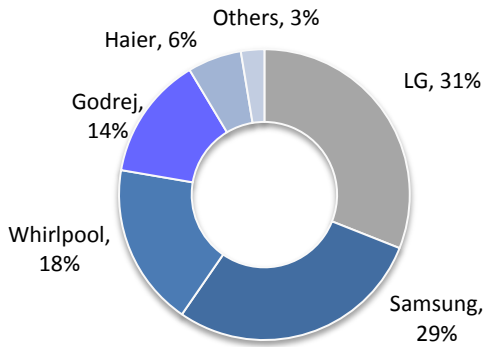
Source: MOFSL, Company

Exhibit 4: Expect ~17% revenue CAGR over FY21-24E



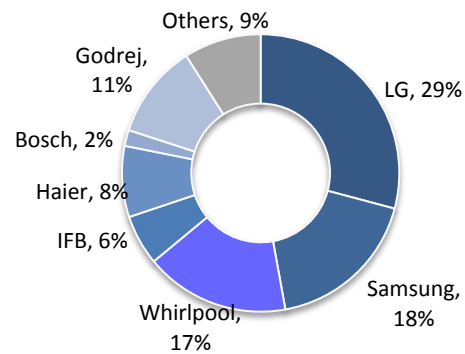
Source: MOFSL, Company

Exhibit 5: Commands 18% market share in Refrigerators in the Indian market



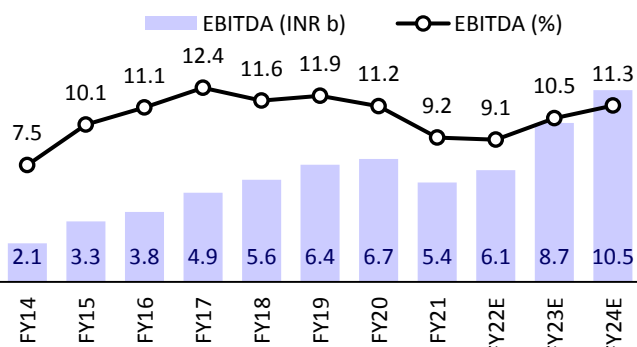
Source: MOFSL, Company

Exhibit 6: Commands 17% market share in Washing Machines in the Indian market



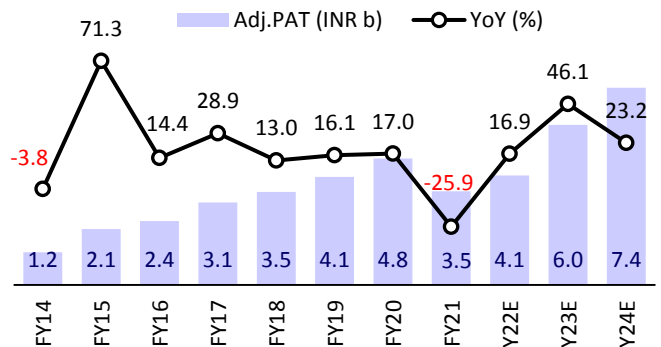
Source: MOFSL, Company

Exhibit 7: Expect ~25% EBITDA CAGR over FY21-24E, with margin scaling back to FY20 levels

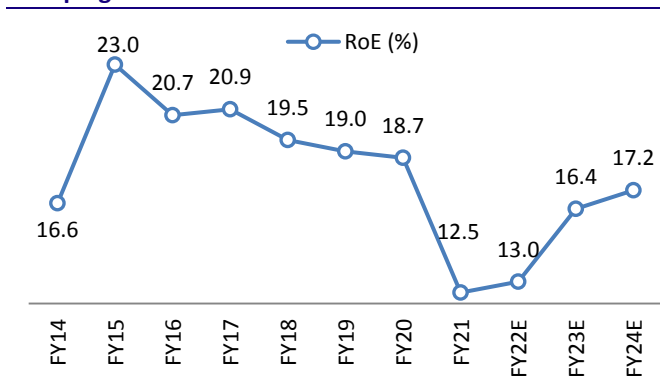


Source: MOFSL, Company

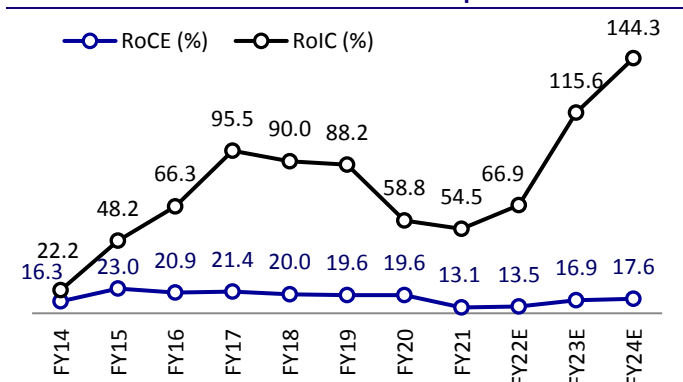
Exhibit 8: Expect ~28% PAT CAGR over FY21-24E, aided by COVID-induced lower base effect in FY21



Source: MOFSL, Company

Exhibit 9: RoE to rise and scale back to ~17% by FY24E after slumping in FY21

Source: MOFSL, Company

Exhibit 10: RoIC to rise gradually over FY22-24E as the business recovers from the COVID-led impact

Source: MOFSL, Company

Exhibit 11: Valuations of Consumer Durable coverage universe

Company	M-cap (INR b)	CMP (INR)	TP (INR)	Upside (%)	Rating	P/E (x)			EV/EBITDA (x)			RoE (%)		
						FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
HAVL	766	1,224	1,120	-8%	Neutral	74.4	60.6	54.5	48.6	40.8	37.3	19.9	20.9	20.0
VOLT	330	998	1,065	7%	Neutral	62.9	58.0	44.9	52.5	47.2	36.6	10.5	10.5	12.3
WHIRL	268	2,112	2,650	26%	Buy	75.9	64.9	44.4	45.4	39.8	27.3	12.5	13.0	16.4
CROMPTON	291	464	530	14%	Buy	55.1	48.0	40.7	40.9	36.7	31.3	27.5	26.6	26.4
BLSTR	79	818	730	-11%	Sell	78.5	53.8	34.9	34.5	28.5	21.7	11.3	15.3	21.1
ORIENTEL	69	323	395	22%	Buy	57.3	49.7	37.0	29.8	27.4	21.2	26.3	25.0	27.2

Source: MOFSL, Company, Bloomberg

Exhibit 12: Valuations of Consumer Durable peers adjusted for the Projects business of VOLT and BLSTR

Current P/E (x)	M-cap (INR b)	Rating	FY19	FY20	FY21	FY22E	FY23E
HAVL	766	Neutral	97.2	104.5	74.4	60.6	54.5
VOLT	330	Neutral	98.8	67.7	60.8	58.9	46.2
WHIRL	268	Buy	65.8	56.3	75.9	64.9	44.4
CROMPTON	291	Buy	77.8	66.5	55.1	48.0	40.7
BLSTR	79	Sell	63.3	88.2	120.5	88.6	51.7
ORIENTEL	69	Buy	99.0	87.3	57.3	49.7	37.0

Source: MOFSL, Company, Bloomberg

Valuation and view

- Going from strength-to-strength in the White Goods space:** WHIRL provides the best opportunity in the White Goods listed space owing to its strong exposure to Refrigerators (industry size: ~USD3.5b) and Washing Machines (industry size: ~USD1.5b) v/s other listed players that are largely in a single category (i.e. the highly competitive AC segment). The penetration of Refrigerators/Washing Machines stands at 30%/~10%. Both categories are expected to benefit on account of up-scaling (Refrigerators: direct cool to frost free/higher capacity/double door; Washing Machines – semi-automatic to fully automatic). As per our estimate, WHIRL commands a volume market share of 17-18% in each category. It has been gaining market share in volume terms and its product portfolio is poised for a strong 12-14% structural growth over the next decade, beyond the low base-led growth due to the COVID-19 outbreak.
- Product portfolio expansion and higher ad spend aiding brand recall:** The company enjoys a strong brand recall and has been improving its positioning in the Indian market over the last 5-6 years, given the management's focus on growth. It has an array of offerings in Refrigerators and Washing Machines, and has been fast to fill the gaps in its product portfolio with new launches. Its portfolio includes ACs and Kitchen Appliances. It entered into the Air Purifier segment in CY18, and acquired 49% stake in Elica PB India, a manufacturer of kitchen cooktops. The company has focused on brand endorsements via celebrities and the print media, and maintained its ad spends ~1.7% of sales in FY21 (v/s ~1.9% in FY20) despite the COVID disruption.
- Focus on in-house manufacturing suggests long-term planning:** WHIRL currently has three manufacturing facilities in Faridabad, Puducherry, and Pune. The Faridabad and Pune facilities cater solely to Refrigerators, while Washing Machines are produced in Puducherry. The company has spent ~INR8.6b on capex over FY17-21, believing in the long-term benefits of in-house manufacturing capabilities, in quite a contrast to other White Goods companies like VOLT and BLSTR. Despite such a high capex, its RoIC is best in class, suggesting strong profitability and cash flow generation.
- Valuation and view:** Unlike peers, WHIRL hasn't resorted to aggressive cost cutting measures during COVID-19. As the economy recovers from the lockdowns, operating leverage should aid margin normalization by FY24E to 11.3%. The impact of commodity price inflation has been higher than our expectation, leading us to cut our FY22E/FY23E EPS by 10% each. Our TP stands at INR2,650/share (earlier: INR2,900/share) as we roll forward our valuation to Sep'23E EPS, but cut our target P/E to 50x. We maintain our **Buy** rating.

Exhibit 13: Earnings change summary

INR m	Old estimate		New estimate		Change	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	66,501	81,152	67,296	83,206	1%	3%
EBITDA	6,517	9,226	6,120	8,709	-6%	-6%
EBITDA margin	9.8%	11.4%	9.1%	10.5%	-0.7%	-0.9%
Adjusted PAT	4,600	6,697	4,127	6,030	-10%	-10%

Source: MOFSL, Company

Financials and valuations

Income Statement								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	39,408	48,319	53,977	59,925	58,999	67,296	83,206	93,257
Change (%)	14.6	22.6	11.7	11.0	-1.5	14.1	23.6	12.1
EBITDA	4,889	5,600	6,422	6,734	5,445	6,120	8,709	10,509
% of Net Sales	12.4	11.6	11.9	11.2	9.2	9.1	10.5	11.3
Depreciation	875	1,015	1,113	1,293	1,421	1,433	1,591	1,690
Interest	59	44	91	199	153	153	153	153
Other Income	730	867	1,047	1,287	905	985	1,097	1,270
PBT	4,684	5,408	6,265	6,529	4,776	5,518	8,062	9,935
Tax	1,580	1,902	2,194	1,766	1,245	1,391	2,032	2,504
Rate (%)	33.7	35.2	35.0	27.0	26.1	25.2	25.2	25.2
Extra-ordinary Inc. (net)	0	0	0	0	-197	0	0	0
Reported PAT	3,104	3,507	4,071	4,763	3,333	4,127	6,030	7,431
Change (%)	29.3	13.0	16.1	17.0	-30.0	23.8	46.1	23.2
Adjusted PAT	3,104	3,507	4,071	4,763	3,530	4,127	6,030	7,431
Change (%)	28.9	13.0	16.1	17.0	-25.9	16.9	46.1	23.2

E: MOFSL estimates

Balance Sheet								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269
Reserves	13,562	16,695	20,158	24,200	26,963	30,471	35,597	41,913
Net Worth	14,831	17,964	21,427	25,469	28,232	31,740	36,865	43,182
Loans	0	0	0	0	0	0	0	0
Deferred Tax Liability	-159	-279	-344	-375	-417	-417	-417	-417
Capital Employed	14,672	17,685	21,083	25,094	27,815	31,323	36,449	42,765
Gross Fixed Assets	5,617	7,115	8,740	11,667	12,902	14,402	15,902	17,902
Less: Depreciation	1,638	2,655	3,658	4,578	5,830	7,263	8,854	10,544
Net Fixed Assets	3,979	4,460	5,082	7,089	7,072	7,139	7,048	7,358
Capital WIP	295	331	433	441	410	410	410	410
Investments	1,297	4,563	6,563	5,506	1,722	1,722	1,722	1,722
Curr. Assets	23,033	22,626	24,668	30,026	40,511	47,033	58,156	67,894
Inventory	8,888	8,101	8,886	11,989	12,738	14,529	17,964	20,134
Debtors	2,049	2,403	2,556	2,816	3,790	4,323	5,345	5,990
Cash and Bank Balance	10,590	9,819	10,610	12,840	20,632	24,358	30,120	36,471
Loans and Advances	163	190	208	249	268	306	378	424
Other Current Assets	1,343	2,113	2,408	2,133	3,084	3,517	4,349	4,874
Current Liab. and Prov.	13,931	14,296	15,664	17,968	21,901	24,981	30,887	34,618
Creditors	11,223	12,359	12,379	14,311	16,604	18,939	23,416	26,245
Other Liabilities	1,198	133	1,086	1,207	2,348	2,678	3,311	3,711
Provisions	1,510	1,804	2,199	2,451	2,950	3,365	4,160	4,662
Net Current Assets	9,102	8,330	9,004	12,059	18,610	22,052	27,268	33,275
Application of Funds	14,673	17,684	21,083	25,094	27,815	31,323	36,449	42,765

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)								
Adjusted EPS	24.5	27.6	32.1	37.5	27.8	32.5	47.5	58.6
Growth (%)	28.9	13.0	16.1	17.0	-25.9	16.9	46.1	23.2
Cash EPS	31.4	35.6	40.9	47.7	39.0	43.8	60.1	71.9
Book Value	116.9	141.6	168.9	200.7	222.5	250.2	290.6	340.4
DPS	0.0	3.0	4.0	5.0	5.0	4.9	7.1	8.8
Payout (incl. Div. Tax.)	0.0	13.0	14.9	16.1	18.0	15.0	15.0	15.0
Valuation (x)								
P/Sales	6.8	5.5	5.0	4.5	4.5	4.0	3.2	2.9
P/E (standalone)	86.3	76.4	65.8	56.3	75.9	64.9	44.4	36.1
Cash P/E	67.3	59.3	51.7	44.2	54.1	48.2	35.2	29.4
EV/EBITDA	52.7	46.1	40.1	37.9	45.4	39.8	27.3	22.0
EV/Sales	6.5	5.3	4.8	4.3	4.2	3.6	2.9	2.5
Price/Book Value	18.1	14.9	12.5	10.5	9.5	8.4	7.3	6.2
Dividend Yield (%)	0.0	0.1	0.2	0.2	0.2	0.2	0.3	0.4
Profitability Ratios (%)								
RoE	20.9	19.5	19.0	18.7	12.5	13.0	16.4	17.2
RoCE	21.4	20.0	19.6	19.6	13.1	13.5	16.9	17.6
RoIC	95.5	90.0	88.2	58.8	54.5	66.9	115.6	144.3
Turnover Ratios								
Debtor (Days)	19	18	17	17	23	23	23	23
Inventory (Days)	82	61	60	73	79	79	79	79
Creditor (Days)	104	93	84	87	103	103	103	103
Asset Turnover (x)	2.7	2.7	2.6	2.4	2.1	2.1	2.3	2.2
Leverage Ratio								
Net Debt/Equity (x)	-0.7	-0.5	-0.5	-0.5	-0.7	-0.8	-0.8	-0.8

E: MOFSL Estimates

Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
(INR m)								
PBT before EO Items	4,684	5,408	6,265	6,529	4,511	5,518	8,062	9,935
Add: Depreciation	861	1,017	1,123	1,323	1,442	1,433	1,591	1,690
Interest	59	44	91	199	153	153	153	153
Less: Direct Taxes Paid	1,805	2,039	2,360	2,064	1,249	1,391	2,032	2,504
(Inc.)/Dec. in WC	-520	-12	33	1,122	-750	-284	-545	-344
Others	-484	-600	-1,061	-1,063	-366	-985	-1,097	0
CF from Operations	3,835	3,842	4,025	3,802	5,241	5,013	7,223	9,619
(Inc.)/Dec. in FA	-1,118	-1,557	-1,864	-3,049	-990	-1,500	-1,500	-2,000
Free Cash Flow	2,717	2,286	2,161	753	4,252	3,513	5,723	7,619
(Pur.)/Sale of Investments	-1,371	-3,203	-1,631	1,377	3,574	0	0	0
Others	8	-104	-15	-5	102	0	0	0
CF from Investments	-2,482	-4,864	-3,510	-1,677	2,686	-1,500	-1,500	-2,000
(Inc.)/Dec. in Net Worth	0	0	0	0	0	0	0	0
(Inc.)/Dec. in Debt	0	0	0	0	0	0	0	0
Less: Interest Paid	13	9	13	107	24	153	153	153
Dividend Paid	0	456	606	765	634	619	905	1,115
Others	686	715	895	977	523	985	1,097	0
CF from Fin. Activity	674	251	276	105	-136	213	39	-1,268
Inc./Dec. in Cash	2,027	-771	791	2,230	7,792	3,726	5,762	6,351
Add: Beginning Balance	8,563	10,590	9,819	10,610	12,840	20,632	24,358	30,120
Closing Balance	10,590	9,819	10,610	12,840	20,632	24,358	30,120	36,471

E: MOFSL estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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