

WHIRLPOOL OF INDIA LTD.



RESULT UPDATE

7th August 2017

Whirlpool of India Ltd.

Tactical Move to Safeguard De-Stocking

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,191	INR 1,390	16.7%	146,725	Buy	Consumer Durables

Result highlights

Whirlpool of India Ltd (WOIL) posted its Q1FY18 results. Net revenue for Q1FY18 was at INR 16,178.8 Mn which grew by 15.0% YoY and 45.2% QoQ. The revenue was in line with our estimates due to seasonality of cooling products and GST implementation enabled the company to sell of the inventories. EBITDA for Q1FY18 stood at INR 2,107.6 Mn with margins of 13.0% which was an increase of 184.7 bps QoQ and decrease of 50.4 bps YoY due to higher raw material and employee cost. However the company ran out of inventory due to GST and there was sharp reduction in inventory by 162% QoQ. PAT for Q1FY18 stood at INR 1,327.2 Mn and PAT margin was at 8.2% which saw a decline of 46.9 bps YoY and an increase of 152.8 bps QoQ.

MARKET DATA

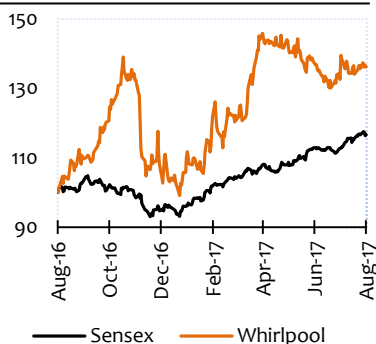
Shares outs (Mn)	127
EquityCap (INR Mn)	1269
Mkt Cap (INR Mn)	146725
52 Wk H/L (INR)	1289/836
Volume Avg (3m K)	59.2
Face Value (INR)	10
Bloomberg Code	WHIRL IN

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



Sales Picked-up Ahead of GST: For Whirlpool of India Ltd. Q1 has always been very promising mainly due to the seasonality of the cooling products and its leadership position in the refrigerator segment which contributes around 75% of its total revenue, the segment has grown at CAGR of 9.5% between FY11 and FY17. In FY18E, during the month of April and May the cooling products has witnessed YoY growth of more than 20%, however the sales picked up in the month of June ahead of GST implementation. In Q1FY18 WOIL reported net revenue of INR 16,178.8 Mn which grew by 15.0% YoY and 45.2% QoQ, the revenue was in line with our estimates. WOIL had to offer huge discounts to the dealers and stockiest to reduce the inventories from their books to avoid any major losses post GST implementation which has impacted average realization and the top line marginally. There has been increase in consumption from Tier one and Tier two cities, also the rural demand has picked up. WOIL's washing machine segment contributes around 25% of the total revenue and its sales has grown at CAGR of 12.2% between FY11 and FY17.

Margins in Line with Estimates: EBITDA for Q1FY18 stood at INR 2,107.6 Mn with margins of 13.0%. During Q1FY18 we observed that overall operating expense increased by 15.7% YoY with improvement in EBITDA by 10.8% YoY but it dragged down EBITDA margins by 50.4bps YoY. On other hand EBITDA margin showed improvement by 184.7 bps QoQ due to decrease in stock of raw material ahead of GST implementation which was the result of lower purchase of traded goods. PAT for Q1FY18 stood at INR 1,327.2 Mn and PAT margin was at 8.2% which saw a decline of 46.9 bps YoY and an increase of 152.8 bps QoQ. Tax rate during the quarter remained at 35%.

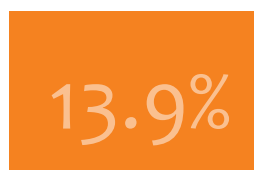
Valuation & Views: Whirlpool of India headquartered in Gurgaon, is one of the leading manufacturers and marketers of major home appliances in the country. The sales of cooling products have witnessed significant growth during Q1FY18 due to discounts offered by the company ahead of GST launch. We expect increase in price of white goods in coming quarters as tax under GST on white goods will be higher as compared to other products, this shall improve the top line and average realization of the company but the higher tax rate may impact bottom line. Whirlpool continues to remain debt free, cash rich and fundamentally strong and it has generated RoE of 23.4% and RoCE of 21.8% in FY17. The company has expanded its product portfolio by including kitchen appliances, water purifier and air treatment. At CMP of INR 1,191 the stock is trading at P/E of 31.2x 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 1,390 representing an upside of 16.7%.

MARKET INFO

SENSEX	32274
NIFTY	10057

SHARE HOLDING PATTERN (%)

Particulars	Jun 17	Mar 17	Dec 16
Promoters	75	75	75
FIIIs	6.4	6.5	6.51
DIIIs	8.58	8.43	8.57
Others	10.02	10.09	9.92
Total	100	100	100



Revenue CAGR between FY15 and FY19E



PAT CAGR between FY15 and FY19E

ANALYST

Nirvi Ashar, nirvi.ashar@krchoksey.com, 91-22-6696 5526
Kunal Jagda, kunal.jagda@krchoksey.com, 91-22-6696 5502

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91-22-6696 5555 / 91-22-6691 9569
www.krchoksey.com

Whirlpool of India Ltd.

Q1FY18 Result Snapshot

Exhibit 1 Quarterly Income Statement (INR Mn)

Particulars	Q1 FY18	Q4 FY17	Q1 FY17	Q-o-Q change %	Y-o-Y change %
Net Sales & Other Operating Income	16,178.8	11,142.9	14,062.5	45.2%	15.0%
Total Expenditure	14,071.2	9,897.1	12,159.7	42.2%	15.7%
Cost of Raw Materials	6,130.0	5,615.5	5,334.5	9.2%	14.9%
Purchase of Finished Goods	1,806.7	2,649.5	1,579.6	-31.8%	14.4%
(Increase) / Decrease In Stocks	1,446.1	-2,332.8	969.4	-162.0%	49.2%
Employee Cost	1,110.1	1,027.0	1,037.6	8.1%	7.0%
Operating & Manufacturing Expenses	3,578.3	2,937.9	3,238.6	21.8%	10.5%
EBIDTA	2,107.6	1,245.8	1,902.8	69.2%	10.8%
EBITDA Margins (%)	13.0%	11.2%	13.5%	184.7	-50.4
Other Income	216.6	168.1	186.0	28.9%	16.5%
Depreciation	278.1	248.4	224.6	12.0%	23.8%
EBIT	2,046.1	1,165.5	1,864.2	75.6%	9.8%
Interest	17.1	6.3	14.5	0.0%	0.0%
PBT	2,029.0	1,159.2	1,849.7	75.0%	9.7%
Tax	701.8	415.4	630.2	68.9%	11.4%
PAT before Exceptional	1,327.2	743.8	1,219.5	78.4%	8.8%
PAT Margin (%)	8.2%	6.7%	8.7%	152.8	-46.9
EPS	10.5	5.9	9.6	78.4%	8.8%

Source: Company, KRChoksey Research

Exhibit 2: Income Statement

INR Mn	FY15	FY16	FY17	FY18E	FY19E
Net 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

ANALYST

Nirvi Ashar, nirvi.ashar@krchoksey.com, 91-22-6696 5526
Kunal Jagda, kunal.jagda@krchoksey.com, 91-22-6696 5502

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91-22-6696 5555 / 91-22-6691 9569

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Whirlpool of India Ltd.

Exhibit 3: 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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Nirvi Ashar, nirvi.ashar@krchoksey.com, 91-22-6696 5526
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Exhibit 4: 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	27,666.8	5,207.1	8,355.2	10,589.5	13,516.8
Closing Cash Balance	5,207.1	8,355.2	10,589.5	13,578.4	18,596.2

Source: Company, KRChoksey Research

Exhibit 5: 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	48.7	36.4	31.2
Price/BV	0.0	0.0	10.2	8.0	6.3
EV/EBITDA	-1.6	-2.2	28.7	21.9	18.4
EV/Sales	-0.2	-0.2	3.2	2.8	2.4
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

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Whirlpool of India Ltd.

Whirlpool of India Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
7-Aug-17	1,191	1,390	BUY	Buy	More than 15%
12-July-17	1,156	1,390	BUY	Accumulate	5% – 15%
19-May-17	1,158	1,375	BUY	Hold	0 – 5%
12-Apr-17	1,213	1,507	BUY	Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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Kisan Ratilal Choksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: 91-22-6633 5000; Fax: 91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: 91-22-6696 5555; Fax: 91-22-6691 9576.

ANALYST

Nirvi Ashar, nirvi.ashar@krchoksey.com, 91-22-6696 5526
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