

Whirlpool of India Ltd.



Whirlpool of India Ltd.

Quarter witnessed Volume Momentum

CMP INR 1,397	Target INR 1,600	Potential Upside 14.5%	Market Cap (INR Mn) 176,844	Recommendation Accumulate	Sector Consumer Durables
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Result highlights

Whirlpool of India Ltd (WOIL) posted its Q2FY18 results. Net revenue for Q2FY18 was at INR 11,596.7 Mn which grew by 23.5% YoY and de-grew by 28.3% QoQ. The revenue was in line with our estimates due to festive seasons and GST implementation enabled the company to sell of the inventories. EBIDTA for Q2FY18 stood at INR 1,135 Mn with margins of 9.8% which decreased by 324 bps QoQ and increased by 24 bps YoY due to higher raw material and employee cost. PAT for Q2FY18 stood at INR 734.3 Mn and PAT margin was at 6.3% which saw a decline of 187 bps QoQ and an increase of 8 bps YoY.

MARKET DATA

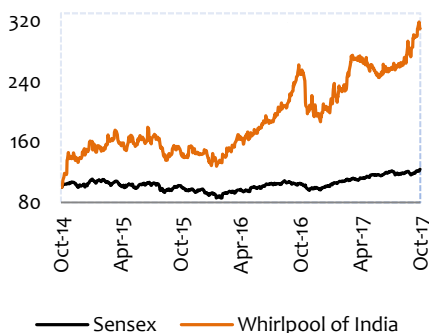
Shares outs (Mn)	127
EquityCap (INR Mn)	1269
Mkt Cap (INR Mn)	176844
52 Wk H/L (INR)	1450/836
Volume Avg (3m K)	69.5
Face Value (INR)	10
Bloomberg Code	WHIRL IN

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%
RoE (%)	25.4%	23.1%	23.4%	24.5%	22.6%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	33147
NIFTY	10344

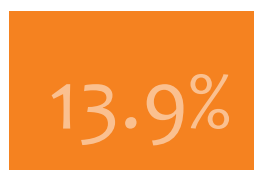
Volume Momentum Witnessed during the Quarter: Whirlpool of India (WOIL) reported its Q2FY18 results, for the quarter the net revenue stood at INR 11,596.7 Mn which was in line with our estimates, the net revenue grew by 23.5% YoY and de-grew by 28.3% QoQ. During H1FY18, WOILs revenue stood at INR 27,775.5 Mn which grew by 18.4% YoY. The summer and festive seasons has always been very promising for WOIL. Historically, during festive seasons WOIL has posted good set of numbers, however, during this festive season sales was impacted due to GST implementation because consumers had already purchased durable products and had taken the benefits of Pre-GST prices which shadowed the festive season growth. Nevertheless, WOIL executed well during the quarter and witnessed strong volume momentum as traders started restocking their inventories. The volume growth momentum continued during pre-Diwali season which was mainly driven by strong and expanded distribution network, consumer-winning innovative product launches in Refrigerators and Washing Machines which contributes around 75% and 25% respectively of the total revenue, the Refrigerators category has grown at a CAGR of 9-10% between FY11 to FY17 and Washing machine category has grown at a CAGR of 12.2% between FY11 and FY17.

Stable Margins: EBIDTA for Q2FY18 stood at INR 1,135 Mn with margins of 9.8%. During Q2FY18 we observed that overall operating expense increased by 23.2% YoY with improvement in margins by 24 bps YoY but the headwinds faced due mounting raw material prices and higher employee cost dragged down the EBIDTA margins by 324 bps QoQ. On other hand EBIDTA for H1FY18 stood at INR 3,242.5 Mn which grew by 15.8% YoY mainly due to continue focus on cost management and operational efficiency. PAT for Q2FY18 stood at INR 734.3 Mn and PAT margin was at 6.3% which saw a decline of 187 bps QoQ and an increase of 8 bps YoY.

Valuation & Views: Whirlpool of India Ltd, is one of the leading manufacturers and marketers of major home appliances in the country. The sales during the quarter was mainly driven by volume momentum and new launches pre-festive seasons across categories. We remain positive on the long term outlook on the demand of appliances and growth potential of WOILs business in India. Whirlpool continues to remain debt free, cash rich and fundamentally strong with RoE of 23.4% & RoCE of 21.8% in FY17. The company has expanded its product portfolio by including kitchen appliances, water purifier and air treatment. With an optimistic view, we expect revenue and PAT to grow at CAGR of 13.9% and 23.2% respectively between FY15 and FY19E. At CMP of INR 1,397 the stock is trading at P/E of 31.2x for FY19E and we have an **“ACCUMULATE”** rating on the stock with target price of INR 1,600 representing an upside of 14.5%.

SHARE HOLDING PATTERN (%)

Particulars	Sep 17	Jun 17	Mar 17
Promoters	75	75	75
FIIIs	5.22	6.4	6.5
DIIIs	9.71	8.58	8.43
Others	10.07	10.02	10.09
Total	100	100	100



Revenue CAGR between FY15 and FY19E



PAT CAGR between FY15 and FY19E

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Q2FY18 Result Snapshot

Exhibit 1 Quarterly Income Statement (INR Mn)

Particulars	Q2 FY18	Q1 FY18	Q2 FY17	Q-o-Q change %	Y-o-Y change %
Net Sales & Other Operating Income	11,596.7	16,178.8	9,389.1	-28.3%	23.5%
Total Expenditure	10,461.7	14,071.2	8,492.3	-25.7%	23.2%
Cost of Raw Materials	5,664.4	6,130.0	4,104.0	-7.6%	38.0%
Purchase of Finished Goods	796.6	1,806.7	866.6	-55.9%	-8.1%
(Increase) / Decrease In Stocks	567.8	1,446.1	-274.5	-60.7%	-306.8%
Excise Duty	0.0	1,538.4	954.9	-100.0%	-100.0%
Employee Benefit Expenses	1,215.1	1,110.1	1,017.5	9.5%	19.4%
Operating & Manufacturing Expenses	2,217.8	2,039.9	1,823.8	8.7%	21.6%
EBIDTA	1,135.0	2,107.6	896.8	-46.1%	26.6%
EBITDA Margins (%)	9.8%	13.0%	9.6%	-324bps	24bps
Other Income	276.6	216.6	186.2	27.7%	48.5%
Depreciation	254.9	278.1	206.7	-8.3%	23.3%
EBIT	880.1	1,829.5	690.1	-51.9%	165.1%
Interest	16.9	17.1	15.7	-1.2%	7.6%
PBT	1,139.8	2,029.0	860.6	-43.8%	32.4%
Tax	405.5	701.8	273.4	-42.2%	48.3%
PAT for the Quarter	734.3	1,327.2	587.2	-44.7%	25.1%
PAT Margin (%)	6.3%	8.2%	6.3%	-187bps	8bps
EPS	5.8	10.5	4.6	-44.7%	25.1%

Source: Company, KRChoksey Research

Exhibit 2: H1FY18 Income Statement (INR Mn)

Particulars	H1FY18	H1FY17	Y-o-Y change %
Net Sales & Other Operating Income	27,775.5	23,451.6	18.4%
Total Expenditure	24,533.2	20,651.7	18.8%
Cost of Raw Materials	11,794.4	9,438.5	25.0%
Purchase of Finished Goods	2,603.3	2,446.1	6.4%
(Increase) / Decrease In Stocks	2,013.9	694.8	189.9%
Excise Duty	1,538.4	2,290.7	-32.8%
Employee Benefit Expenses	2,325.5	2,055.0	13.2%
Operating & Manufacturing Expenses	4,257.7	3,726.6	14.3%
EBIDTA	3,242.3	2,799.9	15.8%
EBITDA Margins (%)	11.7%	11.9%	-26.6 bps
Other Income	493.4	372.2	32.6%
Depreciation	533.0	431.3	23.6%
EBIT	2,709.3	2,368.6	14.4%
Interest	34.0	30.2	12.6%
PBT	3,168.7	2,710.6	16.9%
Tax	1,107.3	903.6	22.5%
PAT for the Quarter	2,061.4	1,807.0	14.1%
PAT Margin (%)	7.4%	7.7%	-28.4 bps
EPS	16.2	14.2	14.1%

Source: Company, KRChoksey Research

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Exhibit 3: Income Statement

Particulars (INR Mn)	FY15	FY16	FY17	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
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

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Exhibit 4: Balance Sheet

Particulars (INR Mn)	FY15	FY16	FY17	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
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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Exhibit 5: Cash flow statement

Particulars (INR Mn)	FY15	FY16	FY17	FY18E	FY19E
PBT	3,005.5	3,559.4	4,684.8	5,927.8	6,920.8
Add: Depreciation	681.3	769.3	874.7	783.1	822.2
Add: Interest	6.2	51.8	58.9	58.9	58.9
Increase / Decrease in WC	559.3	681.0	520.1	-1,259.9	-2,814.1
Less: Taxes	-847.3	-1,159.3	-1,804.9	-1,778.3	-2,076.2
Cash flow from Operations	2,999.1	3,470.6	3,835.5	3,240.6	2,300.9
Cash flow from Investing Activity	-552.7	-270.7	-1,800.5	-390.8	1,199.1
Cash flow from Financing Activity	-6.2	-51.8	-12.6	77.4	1,517.8
Net change in Cash (Inflow/Outflow)	2,440.2	3,148.1	2,022.4	2,927.3	5,017.8
Opening Cash balance	2,766.8	5,353.2	8,501.3	10,523.7	13,451.0
Closing Cash Balance	5,207.1	8,501.3	10,523.7	13,451.0	18,468.7

Source: Company, KRChoksey Research

Exhibit 6: Ratio Analysis

Particulars (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
Net Debt/Equity %	-58.5%	-73.5%	-71.4%	-71.5%	-78.1%
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)	44.3	37.1	49.9	42.7	36.6
Price/BV	10.2	7.6	10.5	9.3	7.4
EV/EBITDA	26.5	21.0	29.5	26.1	22.1
EV/Sales	2.7	2.1	3.3	3.3	2.9
ROE (%)	25.4%	23.1%	23.4%	24.5%	22.6%
RoCE (%)	23.4%	21.7%	21.8%	22.9%	21.4%

Source: Company, KRChoksey Research

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Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
26-Oct-17	1397	1,600	Accumulate	Buy	More than 15%
7-Aug-17	1,191	1,390	BUY	Accumulate	5% – 15%
12-Jul-17	1,156	1,390	BUY	Hold	0 – 5%
19-May-17	1,158	1,375	BUY	Reduce	-5% – 0
12-Apr-17	1,213	1,507	BUY	Sell	Less than – 5%

ANALYST CERTIFICATION:

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