

08 August 2023

India | Equity Research | Q1FY24 result review

Whirlpool of India

White goods

Elica remains strong value driver; Margin tailwinds ahead due to deflation in commodity prices

While Whirlpool's Q1FY24 was muted (as expected), we note three positives (1) Elica has continued to report strong revenue growth (19% YoY) led by strong product portfolio expansion and integration with supply chain of Whirlpool, (2) In our view, Whirlpool's EBITDA margin has likely bottomed out in H1CY23. With correction in commodity prices, we model gradual recovery in margins ahead and (3) Whirlpool reported 3% volume growth on consolidated basis. Standalone business has likely reported volume decline, in our view. We cut FY24-25E earnings by 9-12% to factor in weak Q1FY24. However, we believe the industry is likely to revive in H2FY24 led by festival buying and favourable base. We model Whirlpool to be beneficiary of revival in industry. Maintain **BUY** with revised TP of INR 1,680.

Q1FY24 results

Whirlpool reported revenue, EBITDA and PAT decline of 2%, 6.4% and 9.3%, respectively YoY. Unseasonal rains in North India in Apr-May'23 impacted off-take of air conditioners and refrigerators. Correction in commodity prices led to gross margin expansion of 120bps. However, EBITDA margin contracted 20bps due to higher other expenditure (higher ad-spend in our view).

Update on Elica

Elica has continued to report strong performance with 19% revenue growth YoY. Its EBITDA margin expanded to 20% in Q1FY24 from 14.8% in Q1FY23. We believe as Elica is able to report healthy growth due to (1) strong product portfolio and (2) benefits of integration with Whirlpool supply chain.

India is one of the three strong pillars of growth for parent

The Parent is focusing on three growth pillars as (1) focus on small appliances globally, serve full cooking journey, (2) focus on major appliances in Americas as well as accelerate India growth and (3) also grow commercial appliances. We believe strong India focus of parent augurs well for Whirlpool India.

Valuations

We model Whirlpool to report revenue and PAT CAGRs of 9.6% and 28.4% over FY23-FY25E respectively. We remain positive on Whirlpool due to its established competitive advantages and growth opportunities. Maintain **BUY** with a DCF-based TP of INR 1,680 (implied P/E 51x FY25E).

Financial Summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	61,966	66,677	71,458	80,033
EBITDA	4,157	3,703	5,502	6,563
EBITDA Margin (%)	6.7	5.6	7.7	8.2
Net Profit	2,418	2,190	2,890	3,613
EPS (INR)	19.1	17.3	22.8	28.5
EPS % Chg YoY	(31.3)	(9.4)	32.0	25.0
P/E (x)	76.7	84.7	64.2	51.3
EV/EBITDA (x)	41.2	46.2	30.4	25.0
RoCE (%)	5.6	3.5	5.9	7.0
RoE (%)	7.6	6.1	7.7	9.0

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Market Data

Market Cap (INR)	185bn
Market Cap (USD)	2,243mn
Bloomberg Code	WHIRL IN
Reuters Code	WHIR.BO
52-week Range (INR)	1,905 / 1,217
Free Float (%)	25.0
ADTV-3M (mn) (USD)	1.5

Price Performance (%)	3m	6m	12m
Absolute	9.0	15.9	(18.3)
Relative to Sensex	7.2	9.0	14.2

ESG Disclosure	2021	2022	Change
ESG score	38.1	38.3	0.2
Environment	17.5	17.5	-
Social	18.0	18.7	0.6
Governance	78.6	78.6	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
Revenue	(6.8)	(9.2)
EBITDA	(6.8)	(9.2)
EPS	(9.4)	(12.4)

Previous Reports

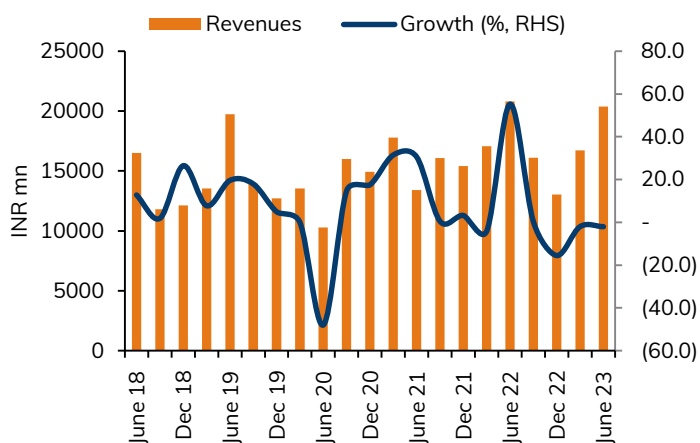
18-05-2023: [Q4FY23 results review](#)

02-02-2023: [Q3FY23 results review](#)

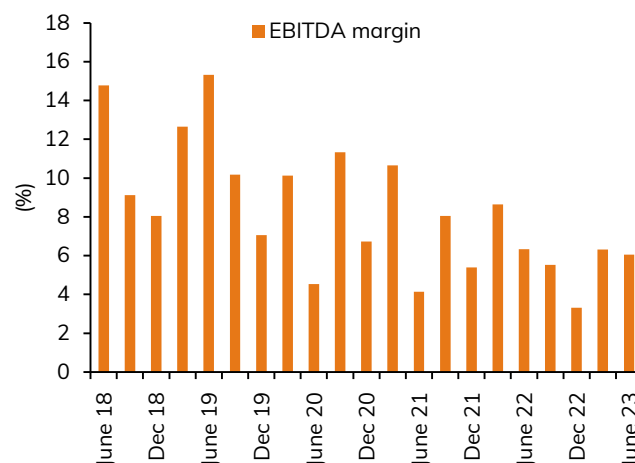
Exhibit 1: Q1FY24 financial performance

INR mn	Q1FY24	Q1FY23	YoY gr.	Q4FY23	QoQ gr.
Revenue	20,386	20,810	(2.0)	16,727	21.9
Expenditure					
Raw materials	14,161	14,712	(3.7)	11,440	23.8
% of revenue	69.5	70.7		68.4	
Employee cost	1,803	1,642	9.8	1,693	6.5
% of revenue	8.8	7.9		10.1	
Other expenditure	3,189	3,139	1.6	2,537	25.7
% of revenue	15.6	15.1		15.2	
Total expenditure	19,152	19,492	(1.7)	15,670	22.2
EBITDA	1,234	1,318	(6.4)	1,056	16.8
EBITDA margin	6.1	6.3		6.3	
Other income	349	317	9.9	323	8.0
PBDIT	1,583	1,635	(3.2)	1,379	14.7
Depreciation	522	467	11.8	523	(0.2)
PBIT	1,061	1,168	(9.2)	856	23.9
Interest	75	27	179.5	56	34.5
PBT	986	1,141	(13.6)	801	23.1
Prov for tax	219	295	(26.0)	163	33.8
% of PBT	22.2	25.9		20.4	
Adjusted PAT	767	846	(9.3)	637	20.4
Extraordinary items	13	10	23.3	(27)	(146.5)
Minority Interest	18	9		10	
Reported PAT	762	848	(10.1)	600	27.0

Source: Company data, I-Sec research

Key performance highlights**Exhibit 2: Revenue and revenue growth**

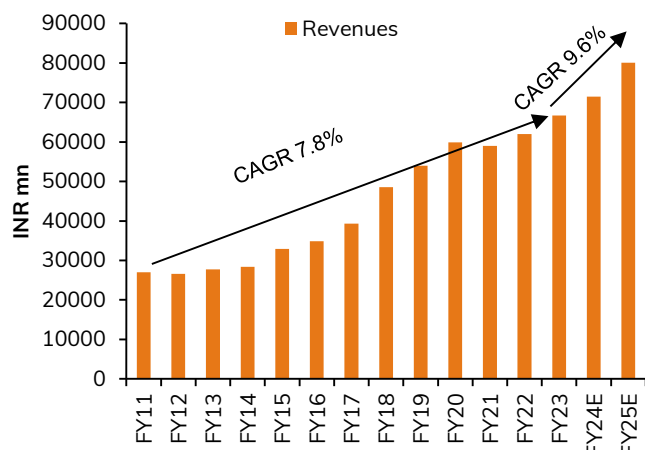
Source: Company data, I-Sec research

Exhibit 3: EBITDA margin

Source: Company data, I-Sec research

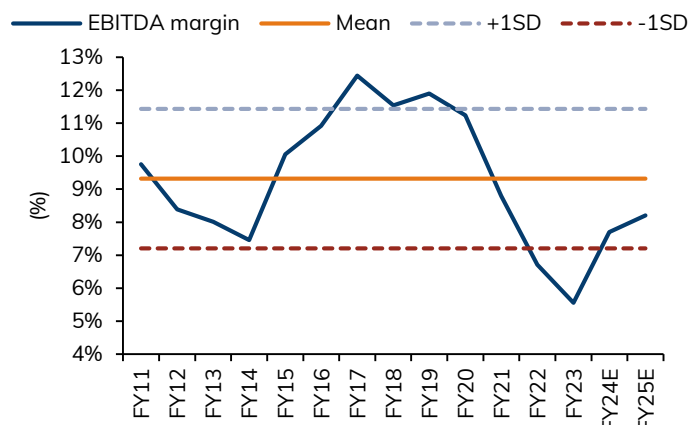
Key ratios – Annual

Exhibit 4: Revenue and revenue growth



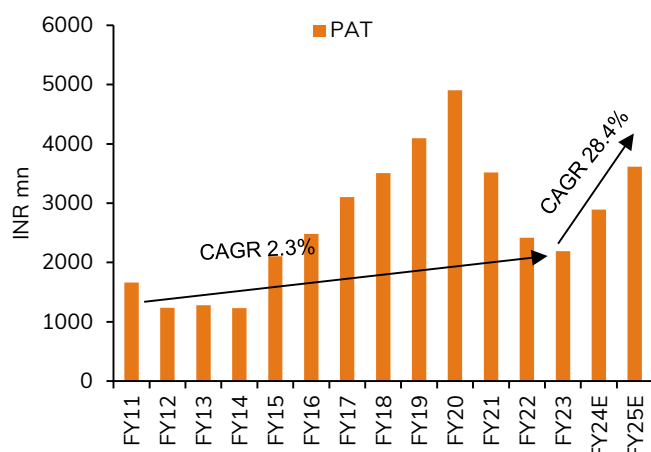
Source: Company data, I-Sec research

Exhibit 5: EBITDA margin



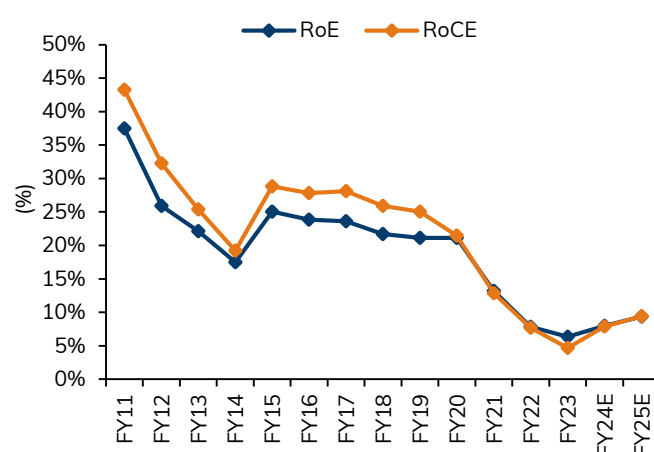
Source: Company data, I-Sec research

Exhibit 6: PAT and PAT growth



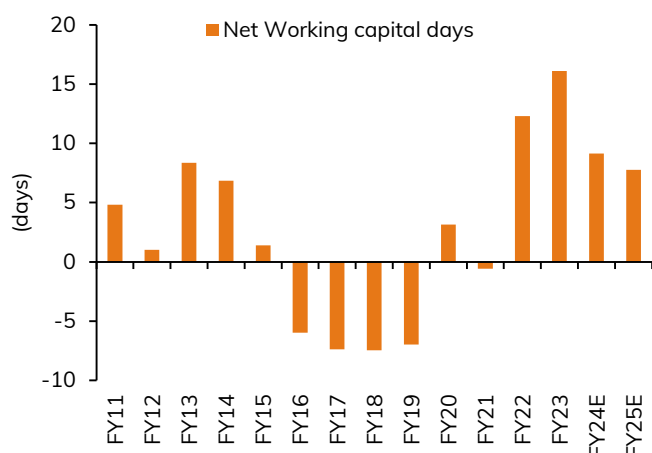
Source: Company data, I-Sec research

Exhibit 7: RoE and RoCE



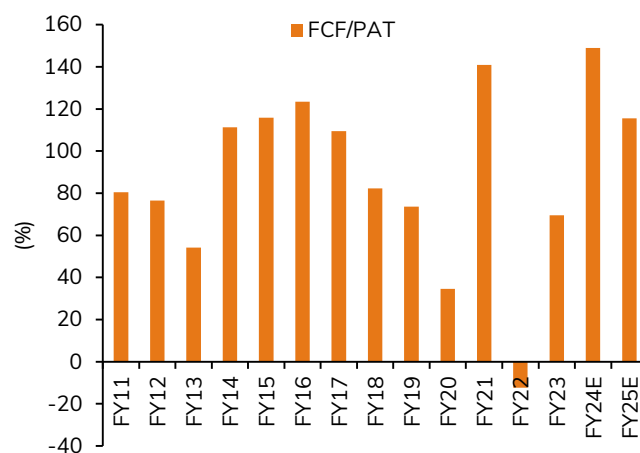
Source: Company data, I-Sec research

Exhibit 8: Net working capital days



Source: Company data, I-Sec research

Exhibit 9: FCF/PAT (%)



Source: Company data, I-Sec research

Valuation and risks

We model Whirlpool to report revenue and PAT CAGRs of 9.6% and 28.4% respectively over FY23-FY25E, and RoCE to move to 7% in FY25E from 3.5% in FY23. At our DCF-based target price of INR 1,680, the implied P/E works out to 51x FY25E EPS. Maintain **BUY**.

Exhibit 10: DCF-based valuation

Particulars	Amt (INR)
Cost of Equity (%)	10.4%
Terminal growth rate (%)	4.0%
Discounted interim cash flows (INR mn)	71,543
Discounted terminal value (INR mn)	1,41,599
Total equity value (INR mn)	2,13,142
Value per share (INR)	1,680

Source: Company data, I-Sec research

Risks

Sharp increase in input prices and competitive pressures

Major increase in input prices and/or increase in competitive pressures will likely result in downside to our estimates.

Delays in launch of new plants/products

Any delay in launch of new products and/or plants may result in lower earnings than estimated.

Exhibit 11: Shareholding pattern

%	Dec'22	Mar'23	Jun'23
Promoters	75.0	75.0	75.0
Institutional investors	15.6	15.6	15.8
MFs and others	10.0	10.1	10.5
FIs/Banks	2.2	2.1	1.8
FIIIs	3.4	3.4	3.5
Others	9.4	9.4	9.2

Source: Bloomberg

Exhibit 12: Price chart



Source: Bloomberg

Financial Summary

Exhibit 13: Profit & Loss

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	61,966	66,677	71,458	80,033
Operating Expenses	15,891	17,137	18,794	21,049
EBITDA	4,157	3,703	5,502	6,563
EBITDA Margin (%)	6.7	5.6	7.7	8.2
Depreciation & Amortization	1,475	1,854	2,262	2,479
EBIT	2,682	1,849	3,240	4,084
Interest expenditure	159	150	184	184
Other Non-operating Income	633	1,273	807	930
Recurring PBT	3,156	2,972	3,864	4,830
Profit / (Loss) from Associates	(102)	-	-	-
Less: Taxes	830	732	974	1,217
PAT	2,326	2,240	2,890	3,613
Less: Minority Interest	10	50	-	-
Extraordinaries (Net)	3,164	(7)	-	-
Net Income (Reported)	5,582	2,183	2,890	3,613
Net Income (Adjusted)	2,418	2,190	2,890	3,613

Source Company data, I-Sec research

Exhibit 14: Balance sheet

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	35,894	38,733	37,890	39,578
of which cash & cash eqv.	16,165	16,814	15,379	14,665
Total Current Liabilities & Provisions	17,638	18,975	20,723	23,210
Net Current Assets	18,255	19,757	17,167	16,368
Investments	1,650	872	5,872	9,872
Net Fixed Assets	10,556	11,689	11,629	11,150
ROU Assets	-	-	-	-
Capital Work-in-Progress	760	202	-	-
Total Intangible Assets	7,478	7,478	7,478	7,478
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	38,699	39,997	42,145	44,867
Liabilities				
Borrowings	3,599	3,346	3,346	3,346
Deferred Tax Liability	93	(28)	(28)	(28)
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	1,269	1,269	1,269	1,269
Reserves & Surplus	32,312	33,935	36,083	38,805
Total Net Worth	33,581	35,204	37,351	40,074
Minority Interest	1,426	1,476	1,476	1,476
Total Liabilities	38,699	39,997	42,145	44,867

Source Company data, I-Sec research

Exhibit 15: Quarterly trend

(INR mn, year ending March)

	Sep-22	Dec-22	Mar-23	Jun-23
Net Sales	16,115	13,025	16,727	20,386
% growth (YOY)	0.3	(15.5)	(2.0)	(2.0)
EBITDA	889	431	1,056	1,234
Margin %	5.5	3.3	6.3	6.1
Other Income	223	410	323	349
Extraordinaries	2	8	(27)	13
Adjusted Net Profit	481	255	600	762

Source Company data, I-Sec research

Exhibit 16: Cashflow statement

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Operating Cashflow	1,391	3,351	6,307	6,177
Working Capital Changes	(2,367)	(839)	1,155	86
Capital Commitments	(1,680)	(1,795)	(2,000)	(2,000)
Free Cashflow	(289)	1,557	4,307	4,177
Other investing cashflow	(3,463)	45	(5,000)	(4,000)
Cashflow from Investing Activities	(5,143)	(1,750)	(7,000)	(6,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(193)	(278)	-	-
Dividend paid	(634)	(634)	(742)	(891)
Others	-	-	-	-
Cash flow from Financing Activities	(827)	(912)	(742)	(891)
Chg. in Cash & Bank balance	(4,579)	690	(1,435)	(713)
Closing cash & balance	16,120	16,791	15,379	14,665

Source Company data, I-Sec research

Exhibit 17: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
Per Share Data (INR)				
Reported EPS	19.1	17.3	22.8	28.5
Adjusted EPS (Diluted)	19.1	17.3	22.8	28.5
Cash EPS	30.7	31.9	40.6	48.0
Dividend per share (DPS)	5.0	5.0	5.8	7.0
Book Value per share (BV)	264.7	277.5	294.4	315.9
Dividend Payout (%)	26.2	29.0	25.7	24.7
Growth (%)				
Net Sales	5.0	7.6	7.2	12.0
EBITDA	(19.9)	(10.9)	48.6	19.3
EPS (INR)	(31.3)	(9.4)	32.0	25.0
Valuation Ratios (x)				
P/E	76.7	84.7	64.2	51.3
P/CEPS	47.6	45.9	36.0	30.4
P/BV	5.5	5.3	5.0	4.6
EV / EBITDA	41.2	46.2	30.4	25.0
P / Sales	3.0	2.8	2.6	2.3
Dividend Yield (%)	0.3	0.3	0.4	0.5
Operating Ratios				
Gross Profit Margins (%)	32.4	31.3	34.0	34.5
EBITDA Margins (%)	6.7	5.6	7.7	8.2
Effective Tax Rate (%)	26.3	24.6	25.2	25.2
Net Profit Margins (%)	3.9	3.3	4.0	4.5
NWC / Total Assets (%)	47.2	49.4	40.7	36.5
Net Debt / Equity (x)	(0.4)	(0.4)	(0.5)	(0.5)
Net Debt / EBITDA (x)	(3.4)	(3.9)	(3.3)	(3.2)
Profitability Ratios				
RoCE (%)	5.6	3.5	5.9	7.0
RoE (%)	7.6	6.1	7.7	9.0
RoIC (%)	5.6	3.5	5.9	7.0
Fixed Asset Turnover (x)	4.0	3.4	3.3	3.3
Inventory Turnover Days	79	86	79	81
Receivables Days	26	25	26	27
Payables Days	104	105	106	108

Source Company data, I-Sec research

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