

CMP: INR 1,492

Rating: BUY

Target Price: INR 1,895

Stock Info

BSE	500238
NSE	WHIRLPOOL
Bloomberg	WHIRL:IN
Reuters	WHIR.BO
Sector	Consumer Durables
Face Value (INR)	10
Equity Capital (INR cr)	127
Mkt Cap (INR cr)	18,929
52w H/L (INR)	2,266 / 1,365
Avg Yearly Volume (in 000')	203

Shareholding Pattern %

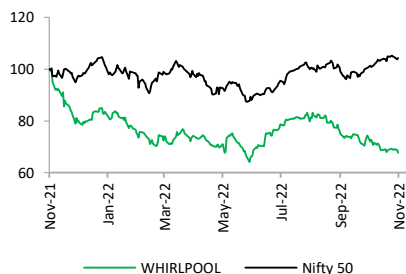
(As on Sep, 2022)

Promoters	75.00
DII	12.50
FII	3.05
Public & Others	9.45

Stock Performance (%) 3m 6m 12m

WHIRLPOOL	-15.1	-4.6	-32.3
NIFTY	4.3	12.5	4.2

Whirlpool vs Nifty 50



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Whirlpool of India Ltd (Whirlpool) is one of the leading manufacturers of major home appliances in India. The product portfolio includes various types of refrigerators, washing machines, microwave ovens, air conditioners, and built-in and small appliances. The major revenue comes from the sale of products and accounts for ~96% of sales in FY22 and the remaining is from the sale of services. The company also exports to SAARC and ASEAN countries. The export sales account for ~5% of revenue in FY22. The company has 3 manufacturing plants in Faridabad, Pune, and Puducherry. The company launched the W-series range of premium 4-door large-capacity refrigerators and magicook series of large-capacity microwave ovens with in-built air fryers in FY22.

Investment Rationale

Witnessed traction in the mid-premium segment: Consumer preferences are pushing premiumisation due to rising per capita income and infrastructure developments with increasing electrification in rural areas boosting white goods demand. The company has a 10% to 15% market share across categories and gaining market share at a slower pace. Whirlpool has witnessed a recovery in market share due to competitive pricing. The company will continue to leverage its parent's technologies to scale its market share in the mid-premium market category with new product launches.

Focused on a cooking category through Elica Acquisition: Whirlpool has acquired an additional ~38% stake in Elica PB India for consideration for INR 425cr and has a total stake of ~87% in Elica India PB. Whirlpool has focused on kitchen appliances like kitchen hoods, gas hobs, and cooktops through Elica. The Elica acquisition will provide a new vertical segment and will be a growth driver going forward.

A stronger distribution network leads to better reach to customers: Whirlpool's direct distribution network accounts for 70% to 72% of the total distribution network. The company's D2C sales increased significantly due to stronger direct penetration. Whirlpool outlets have a pan-India presence across cities.

Continuous investment in Capex and R&D leads to better production and innovations: Whirlpool has spent ~INR 170cr for Capex and INR 40cr for Capex in FY22. The company has inaugurated a new state-of-the-art washing machine facility in Puducherry. The facility was built-up with an investment of INR 115cr, with a focus on premium front-load washing machines.

Outlook & Valuation: Whirlpool continues to launch innovative products through its parent technologies, grow its distribution network, make investments in R&D and Capex, shorten the replacement cycle, increase consumer affordability, and move towards premiumisation to drive growth going forward. At the CMP of INR 1,492 per share, the stock is trading at a P/E multiple of 66.2x/41.2x/32.5x its FY23E/FY24E/FY25E EPS of INR 22.5/36.2/46 respectively. We have a "BUY" rating with a TP of INR 1,895 per share; valued at a PE multiple of 41.2x and its FY25E EPS; an upside of 27%.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	5,993	5,900	6,197	7,560	8,647	9,826
Net Raw Materials	3,650	3,744	4,192	5,186	5,750	6,475
Freight and forwarding charges	377	387	400	476	545	609
Employee Cost	590	630	617	741	847	963
Other Expenses	702	620	572	681	788	885
EBITDA	673	519	416	476	717	893
EBITDA Margin (%)	11.2%	8.8%	6.7%	6.3%	8.3%	9.1%
Depreciation	(129)	(142)	(147)	(166)	(187)	(210)
Interest expense	(20)	(15)	(16)	(18)	(16)	(16)
Other income	129	90	63	97	111	126
Profit before tax	667	470	650	389	625	793
Taxes	(177)	(118)	(83)	(103)	(165)	(210)
PAT	490	352	567	286	459	583
PAT Margin (%)	8.2%	6.0%	9.2%	3.8%	5.3%	5.9%
Other Comprehensive income	(2)	1	(8)	-	-	-
Net profit	488	353	559	286	459	583
EPS (INR)	38	28	44	23	36	46

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	127	127	127	127	127	127
Reserves	2,437	2,731	3,231	3,483	3,887	4,400
Net worth	2,563	2,858	3,358	3,610	4,014	4,527
Minority Interest	-	-	143	143	143	143
Provisions	245	295	294	166	154	162
Debt	32	59	148	123	118	123
Other non-current liabilities	5	5	66	8	9	10
Total Liabilities	2,846	3,217	4,009	4,048	4,437	4,964
Fixed assets	703	697	663	669	677	672
Capital Work In Progress	44	41	72	75	85	95
Other Intangible assets	5	10	263	263	263	263
Goodwill	-	-	748	748	748	748
Investments	189	208	20	242	277	314
Other non current assets	119	131	332	378	389	393
Net working capital	102	53	276	235	148	54
Inventories	1,166	1,274	1,311	1,392	1,465	1,579
Sundry debtors	322	379	430	373	379	404
Loans & Advances	25	27	2	23	26	29
Other current assets	144	205	211	228	237	215
Sundry creditors	(1,431)	(1,660)	(1,490)	(1,592)	(1,760)	(1,958)
Other current liabilities & Prov	(123)	(171)	(188)	(189)	(199)	(216)
Cash	1,284	2,063	1,616	1,424	1,833	2,405
Other Financial Assets	399	14	19	15	17	20
Total Assets	2,846	3,217	4,009	4,048	4,437	4,964

Source: Company Reports, Arianth Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Profit before tax	667	470	650	389	625	793
Depreciation	129	142	147	166	187	210
Tax paid	(177)	(118)	(83)	(103)	(165)	(210)
Working capital Δ	(165)	50	(223)	41	87	95
Change in Goodwill	-	-	(748)	-	-	-
Operating cashflow	455	543	(256)	493	733	888
Capital expenditure	(330)	(132)	(144)	(175)	(205)	(215)
Free cash flow	124	411	(401)	317	528	672
Equity raised	4	6	(4)	(0)	-	-
Investments	344	(19)	188	(222)	(35)	(38)
Others	(220)	368	(458)	(42)	(13)	(6)
Debt financing/disposal	23	27	232	(25)	(5)	5
Dividends paid	(76)	(63)	(63)	(34)	(55)	(70)
Other items	25	49	61	(187)	(11)	9
Net Δ in cash	223	779	(447)	(193)	409	572
Opening Cash Flow	1,061	1,284	2,063	1,616	1,424	1,833
Closing Cash Flow	1,284	2,063	1,616	1,424	1,833	2,405

Source: Company Reports, Aриhant Capital Research

Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E	FY25E
Growth matrix (%)						
Revenue growth	11.0%	-1.5%	5.0%	22.0%	14.4%	13.6%
Op profit growth	4.9%	-22.9%	-19.9%	14.4%	50.7%	24.6%
Profitability ratios (%)						
OPM	11.2%	8.8%	6.7%	6.3%	8.3%	9.1%
Net profit margin	8.2%	6.0%	9.2%	3.8%	5.3%	5.9%
RoCE	19.0%	11.5%	8.2%	7.8%	11.5%	13.1%
RoNW	20.8%	13.0%	18.3%	8.2%	12.0%	13.7%
RoA	17.2%	10.9%	14.2%	7.1%	10.3%	11.7%
Per share ratios (INR)						
EPS	38.4	27.8	44.1	22.5	36.2	46.0
Dividend per share	5.0	5.0	5.0	2.7	4.3	5.5
Cash EPS	48.8	38.9	56.3	35.6	50.9	62.5
Book value per share	202.1	225.3	264.7	284.5	316.4	356.8
Valuation ratios (x)						
P/E	38.8	53.6	33.9	66.2	41.2	32.5
P/CEPS	30.6	38.3	26.5	41.9	29.3	23.9
P/B	7.4	6.6	5.6	5.2	4.7	4.2
EV/EBITDA	26.0	32.2	42.0	36.6	23.6	18.3
Payout (%)						
Dividend payout	15.6%	18.0%	11.2%	12.0%	12.0%	12.0%
Tax payout	26.5%	25.1%	12.8%	26.5%	26.5%	26.5%
Liquidity ratios						
Debtor days	18	22	24	19	16	15
Inventory days	103	119	113	95	91	86
Creditor days	92	105	99	79	77	76
WC Days	29	36	37	35	29	24
Leverage ratios (x)						
Interest coverage	27.4	24.6	16.9	17.6	33.8	43.6
Net debt / equity	-0.5	-0.7	-0.4	-0.4	-0.4	-0.5
Net debt / op. profit	-1.9	-3.9	-3.5	-2.7	-2.4	-2.6

Source: Company Reports, Aриhant Capital Research

Story in Charts

Exhibit 1: Revenue growth is expected to pick-up backed by mid-premium segment and new launches.

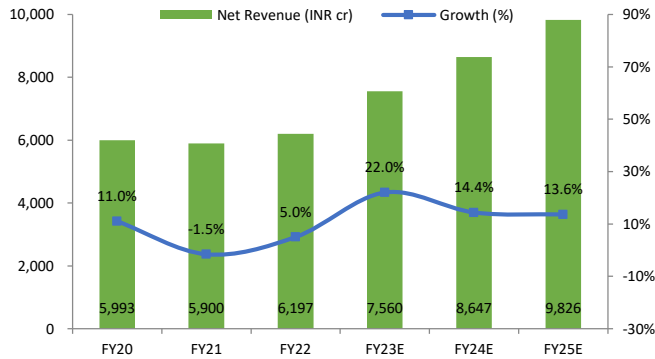


Exhibit 2: In FY23, Gross Margins are expected to impact due to RM costs.

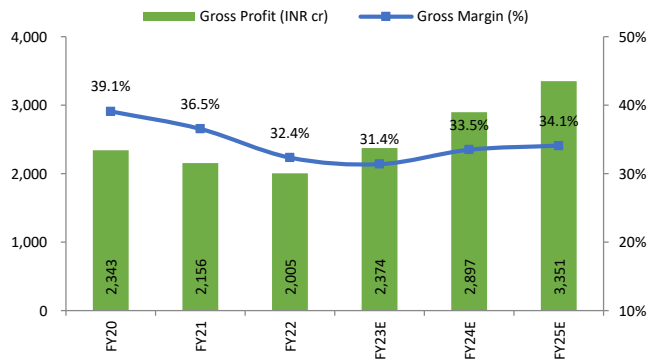


Exhibit 3: EBITDA and PAT margin is expected to improve from FY24 onwards.

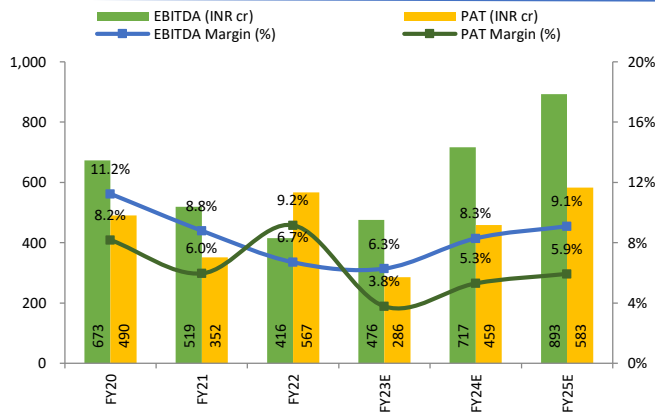


Exhibit 4: Return ratios is expected to improve from FY24 onwards.

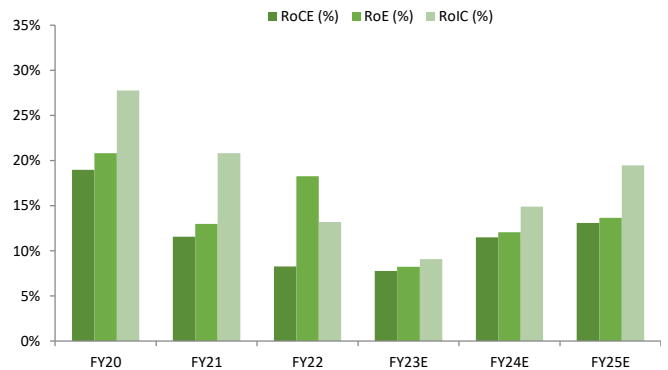


Exhibit 5: Working capital days to be improve

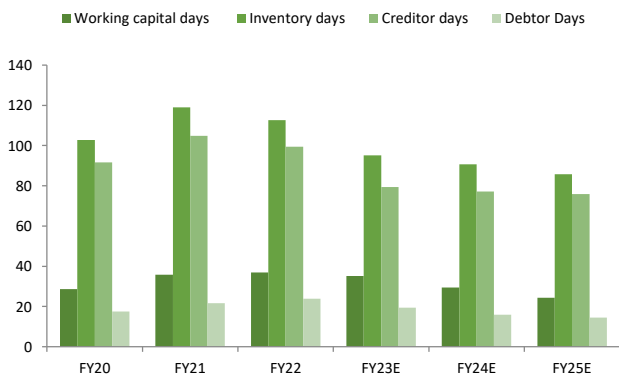
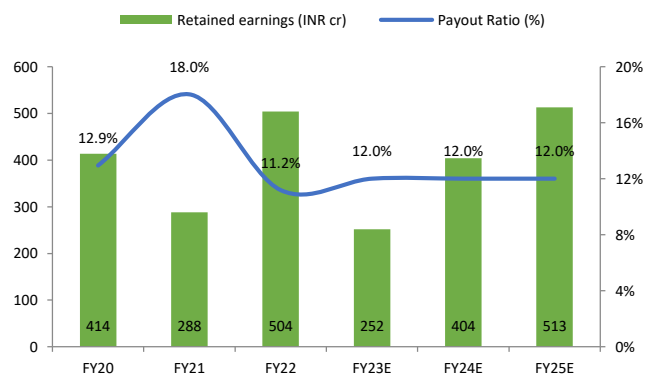


Exhibit 6: Dividend pay-out to be continue



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 7: Working capital as % of sales is expected to reduce going forward.

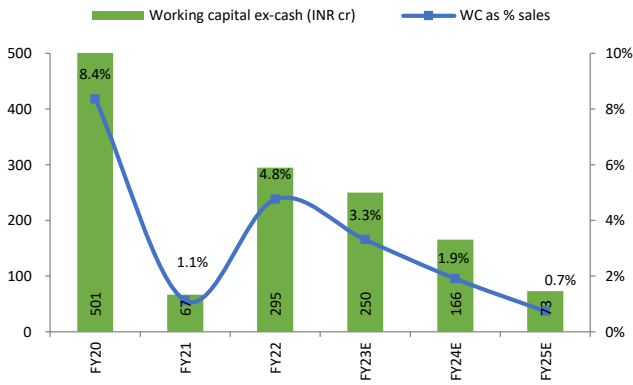


Exhibit 8: Advertising and promotion expenses are expected to be less than 1% of sales.

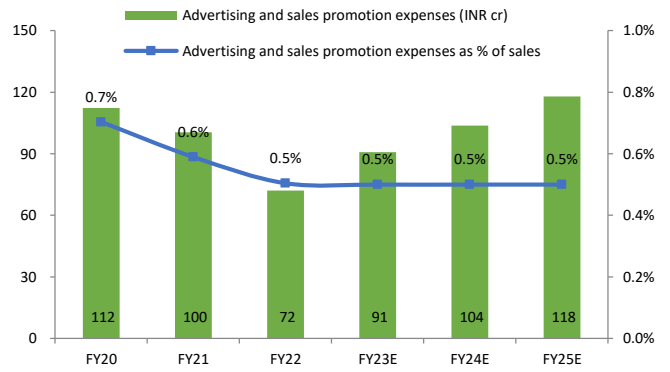


Exhibit 9: Customer service expenses are expected to be less than 2% of sales.

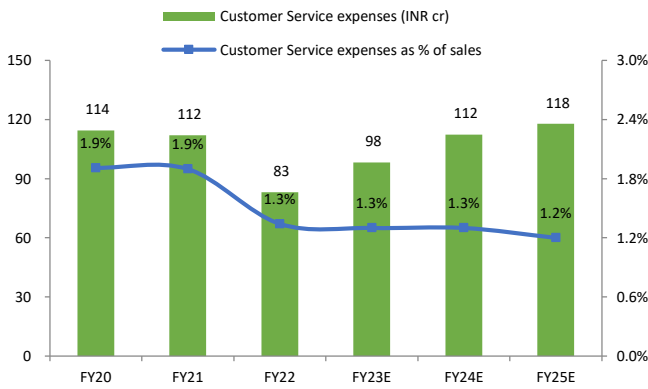


Exhibit 10: Royalty expenses are expected to be around 1% of sales.

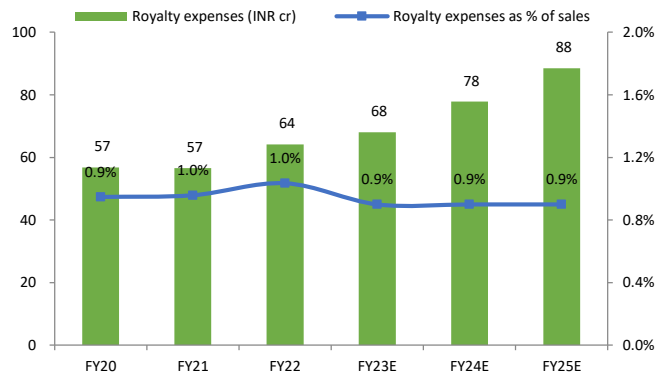


Exhibit 11: Research expenses are expected to be less than 1% of sales.

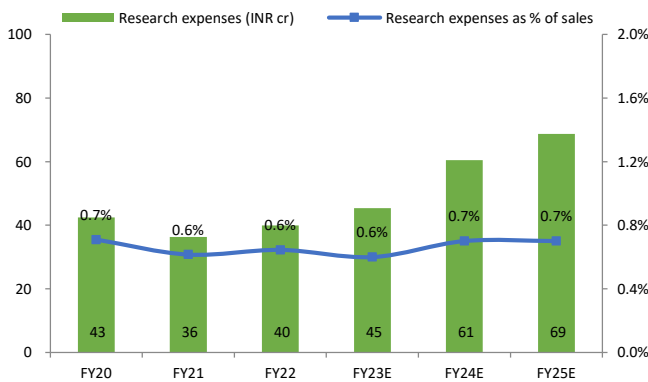
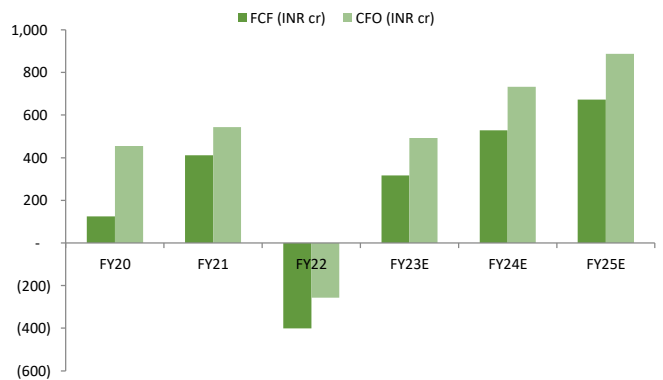


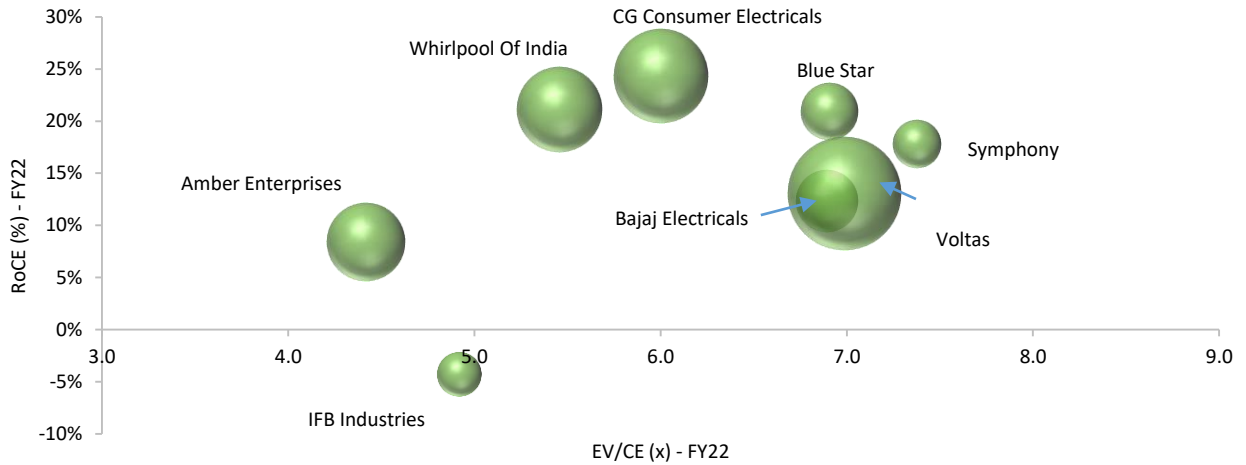
Exhibit 12: Cash flows to be improve.



Source: Company Reports, Arihant Capital Research

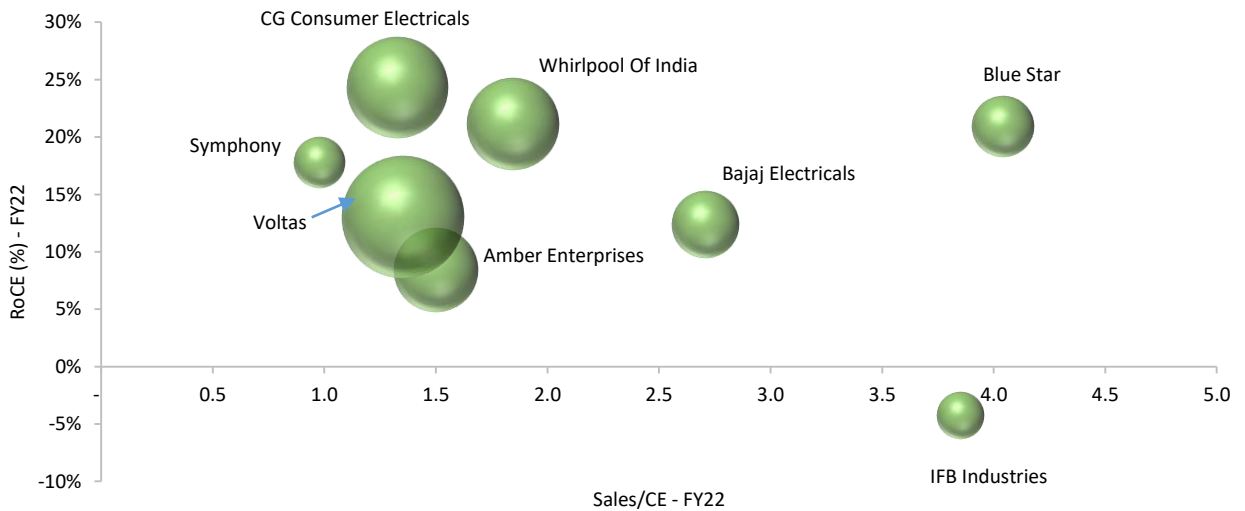
Peer Comparison

Exhibit 13: Voltas deployed lower capital in terms of Enterprise value and delivered 13% RoCE in FY22, while Whirlpool was deployed slightly higher capital in terms of Enterprise value and delivered 21% RoCE in FY22.



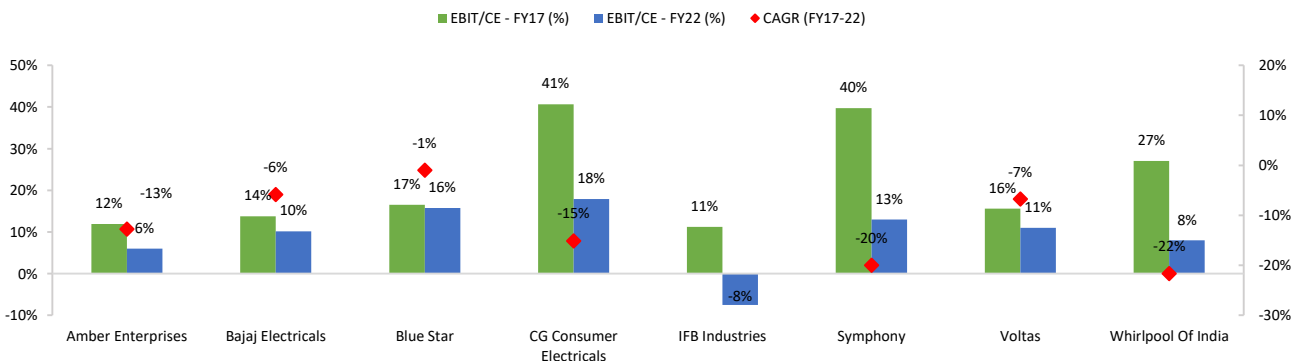
Source: Ace Equity, Arihant Capital Research; Bubble size represents Capital Employed (CE)

Exhibit 14: Blue star earned INR 4 per INR 1 of Capital Employed, While Voltas and Whirlpool earned INR 1.4 and INR 1.8 per INR 1 of Capital Employed in FY22 respectively.



Source: Ace Equity, Arihant Capital Research; Bubble size represents Capital Employed (CE)

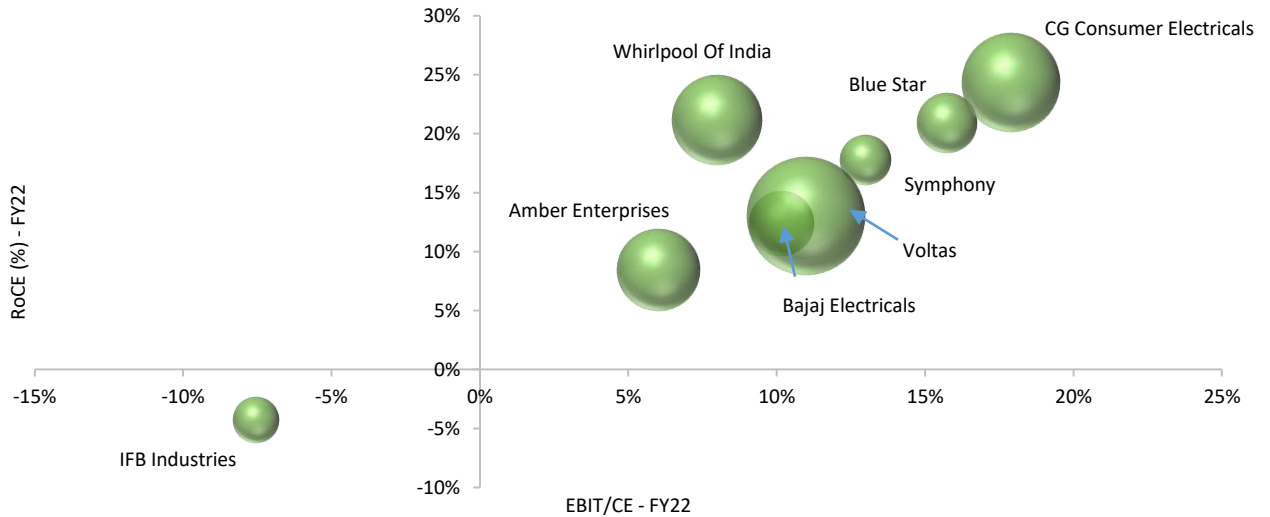
Exhibit 15: Blue Star sustained profitability in-terms of Capital Employed over the period of FY17-22. Strong recovery expected in Voltas and Whirlpool Of India going forward.



Source: Ace Equity, Arihant Capital Research

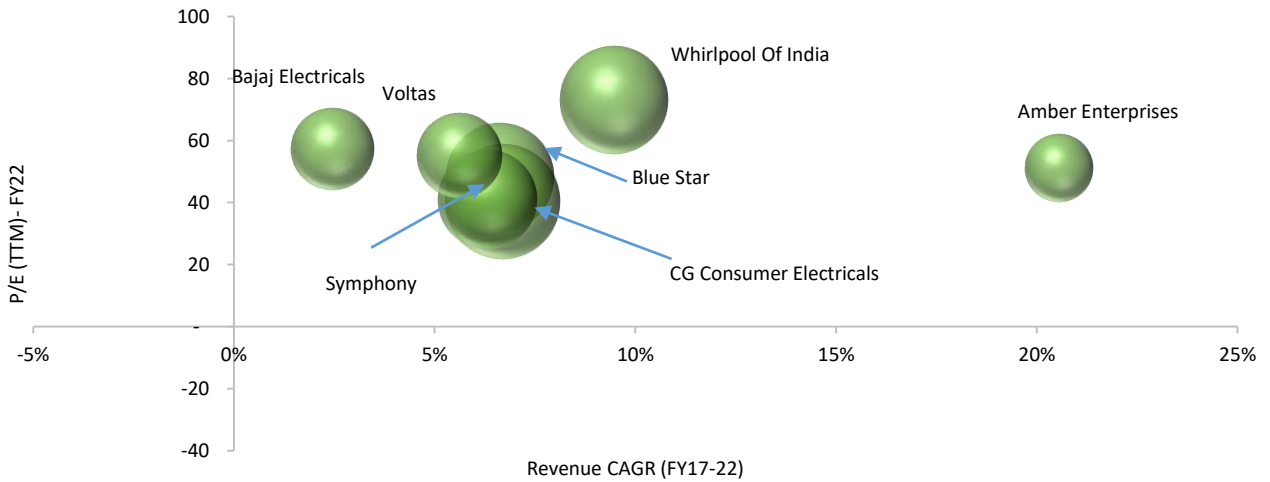
Peer Comparison

Exhibit 16: Blue Star and CG Consumer Electricals generated 16% and 18% of EBIT/CE respectively, which is healthy operating profit in the industry. Whirlpool of India generated 8% of EBIT/CE in FY22 which is expected to improve going forward.



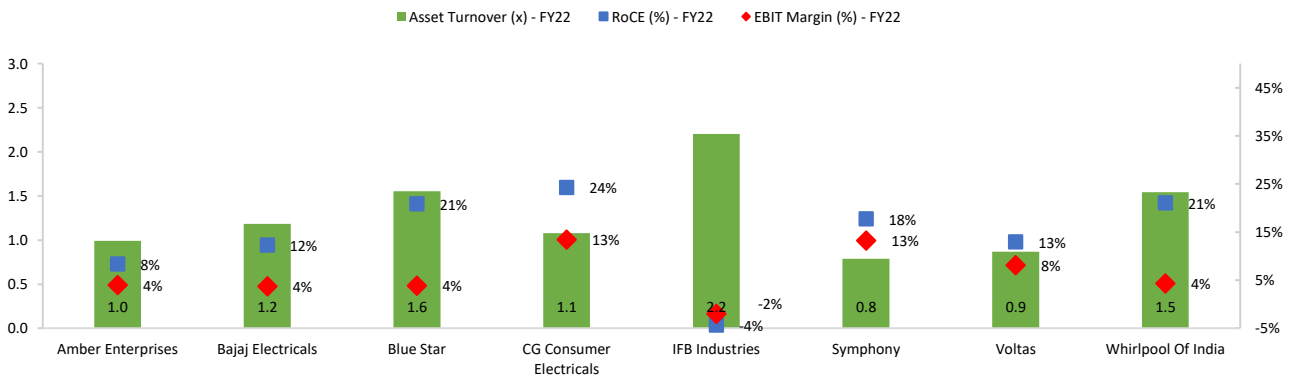
Source: Ace Equity, Arihant Capital Research; Bubble size represents Capital Employed (CE)

Exhibit 17: Voltas delivered 5.6% CAGR revenue growth over the period of FY17-22 and valued PE of 55.2x, while Whirlpool delivered 9.5% CAGR revenue growth over the same period and valued at PE of 73x.



Source: Ace Equity, Arihant Capital Research; Bubble size represents RoCE

Exhibit 18: Blue Star and Whirlpool efficiently used its assets to generate sales compared to peers.



Source: Ace Equity, Arihant Capital Research

Peer Comparison

Exhibit 19: Blue star maintained RoCE over the period of FY17-22

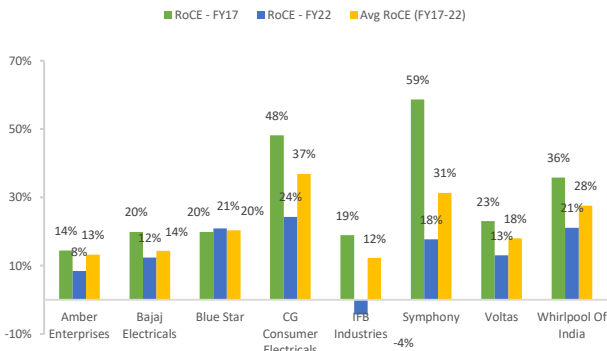


Exhibit 20: Blue star maintained RoE over the period of FY17-22

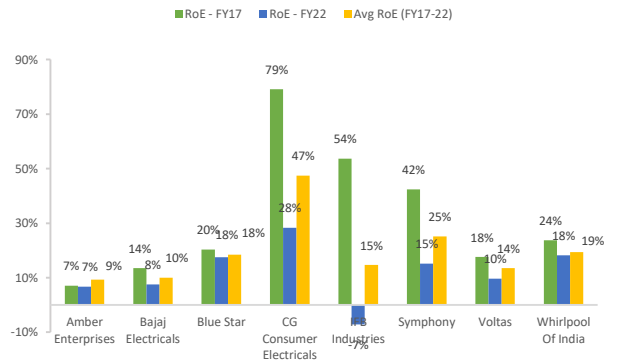


Exhibit 21: Voltas has generated 25% CAGR return over 14% of ROE during the period of FY17-FY22.

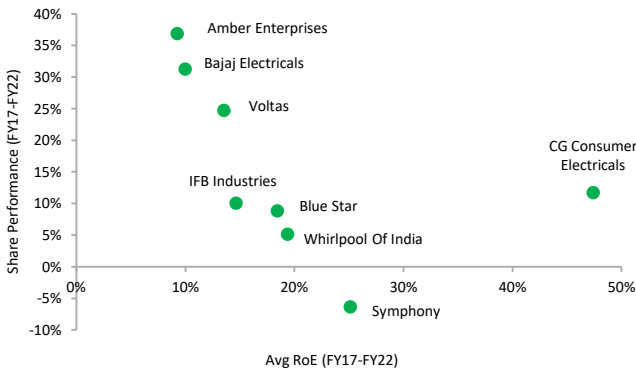


Exhibit 22: Voltas and Whirlpool was generated healthy RoA in the industry over the period of FY17-22.

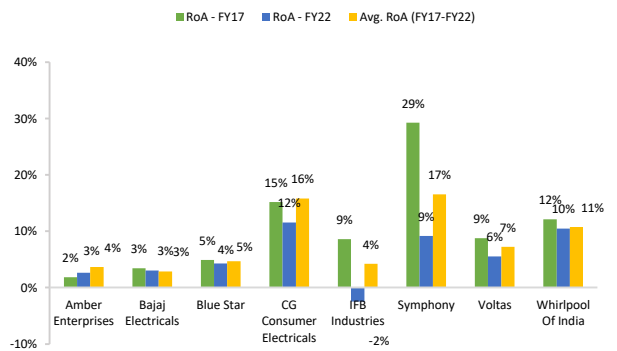


Exhibit 23: Blue Star witnessed RoCE expansion during the period of FY17-FY22.

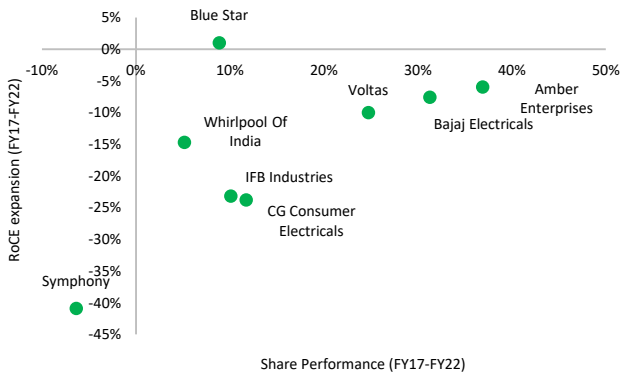
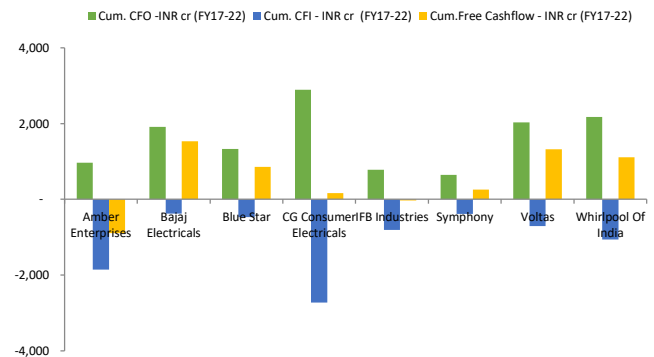


Exhibit 24: Voltas, Whirlpool, Blue Star and Bajaj Electricals generated healthy free cash flows over the period of FY17-22.



Source: Ace Equity, Arianth Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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