

WHIRLPOOL OF INDIA

MIDCAPS

HOLD

Target Price: Rs 1,270

Momentum continues but valuations rich

WHIRL posted third consecutive quarter of double digit growth in Q2. Adjusted for GST impact, it posted a phenomenal growth of 38% YoY on strong volume momentum through Q2, as trade channel restocked inventories. Despite severe raw material headwinds in Q2 and adverse product mix, core EBITDA margin expanded 20 bps YoY at 9.8% on lower 'other expense'. Reported PAT at Rs 894 mn was up 52% YoY.

As highlighted in our earlier report, raw material headwinds are re-emerging, as also indicated in the management commentary; WHIRL, however remains positive on a strong consumer demand in foreseeable future. We raise our FY18 revenue growth to 18% (15% earlier) to reflect strong H1. Maintain FY19 revenue growth/EBITDA margin. We remain on sidelines with a HOLD rating, as valuations are rich. Our

CMP : Rs 1,401
Potential Upside : -9%

MARKET DATA

No. of Shares : 127 mn
Free Float : 25%
Market Cap : Rs 178 bn
52-week High/ Low : Rs 1,450 / Rs 836
Avg. Daily vol. (6mth) : 66,834 shares
Bloomberg Code : WHIRL IB Equity
Promoters Holding : 75%
FII / DII : 5% / 10%

Q2FY18 highlights

WHIRL posted double digit growth in an uncertain environment – in our view, efforts towards continued distribution expansion, product launches in refrigerators and washing machines and shop-floor execution (refer to our detailed report) are yielding positive results. Continued focus on cost management and efficiencies aided EBITDA margin expansion despite strong input cost inflation.

In its AGM, the company highlighted its medium-term target to grow in double-digits and expects to benefit from uptick in discretionary spending (which is directly tied to GDP growth). In addition, pay commission payouts have yet to reflect in the buying behavior given confusion on different fronts in past several months (demonetization/GST). In the medium to long term, the company expects to benefit from GST transition given a clean operating environment and realize benefits from rationalizing the number of warehouses across the country.

Financial summary (Standalone)

Y/E March	FY16	FY17	FY18E	FY19E
Sales (Rs mn)	34,399	39,408	46,564	53,549
Adj PAT (Rs mn)	2,408	3,105	4,245	5,445
Con. EPS* (Rs)	-	-	31.0	37.6
EPS (Rs)	19.0	24.5	33.5	42.9
Change YOY (%)	14.4	28.9	36.7	28.3
P/E (x)	73.8	57.2	41.9	32.6
RoE (%)	23.6	22.9	24.6	25.3
RoCE (%)	34.9	34.8	35.3	36.1
EV/E (x)	44.1	34.2	27.7	22.3
DPS (Rs)	-	-	-	-

Source: *Consensus broker estimates, Company, Axis Capital

Key drivers

(%)	FY17	FY18E	FY19E
Revenue growth	15	18	15
Core EBITDA margin	12.4	12.5	13.0

Price performance

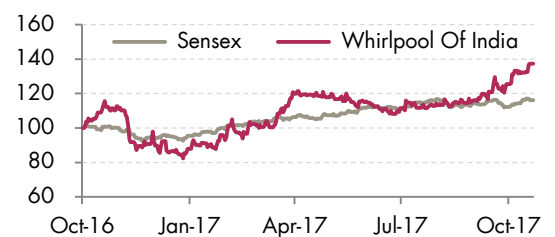


Exhibit 1: Results update – consolidated

(Rs mn)	Quarter ended					12 months ended		
	Sep-17	Sep-16	% Chg	Jun-17	% Chg	FY18E	FY17	% Chg
Total income	11,597	9,389	23.5	14,640	(20.8)	46,564	39,408	18.2
EBITDA	1,135	897	26.6	2,108	(46.1)	5,806	4,888	18.8
Other income	277	186	48.7	217	27.8	1,000	730	37.0
PBIDT	1,412	1,083	30.4	2,324	(39.3)	6,806	5,618	21.1
Depreciation	255	207	23.3	278	(8.3)	783	875	(10.5)
Interest	17	16	7.6	17	(1.2)	50	59	(15.1)
PBT	1,140	861	32.5	2,029	(43.8)	5,973	4,685	27.5
Tax	406	273	48.3	702	(42.2)	1,792	1,580	13.4
Reported PAT	735	587	25.1	1,327	(44.7)	4,181	3,105	34.7
No. of shares (mn)	127	127	-	127	-	127	127	-
EBITDA margin (%)	9.8	9.6	-	14.4	-	12.5	12.4	-
PBIDT margin (%)	12.2	11.5	-	15.9	-	14.6	14.3	-
EPS - annualized (Rs.)	23.2	18.5	25.1	41.8	(44.7)	33.0	24.5	34.7

Source: Company, Axis Capital

Financial summary (Standalone)

Profit & loss (Rs mn)

Y/E March	FY16	FY17	FY18E	FY19E
Net sales	34,399	39,408	46,564	53,549
Other operating income	-	-	-	-
Total operating income	34,399	39,408	46,564	53,549
Cost of goods sold	(22,429)	(25,348)	(29,116)	(33,039)
Gross profit	11,970	14,060	17,448	20,510
<i>Gross margin (%)</i>	<i>34.8</i>	<i>35.7</i>	<i>37.5</i>	<i>38.3</i>
Total operating expenses	(8,135)	(9,172)	(11,579)	(13,476)
EBITDA	3,835	4,888	5,869	7,034
<i>EBITDA margin (%)</i>	<i>11.1</i>	<i>12.4</i>	<i>12.6</i>	<i>13.1</i>
Depreciation	(769)	(875)	(783)	(852)
EBIT	3,066	4,014	5,087	6,183
Net interest	(52)	(59)	(50)	(35)
Other income	553	730	1,000	1,600
Profit before tax	3,568	4,685	6,037	7,748
Total taxation	(1,159)	(1,580)	(1,792)	(2,302)
<i>Tax rate (%)</i>	<i>32.5</i>	<i>33.7</i>	<i>29.7</i>	<i>29.7</i>
Profit after tax	2,408	3,105	4,245	5,445
Minorities	-	-	-	-
Profit/ Loss associate co(s)	-	-	-	-
Adjusted net profit	2,408	3,105	4,245	5,445
<i>Adj. PAT margin (%)</i>	<i>7.0</i>	<i>7.9</i>	<i>9.1</i>	<i>10.2</i>
Net non-recurring items	-	-	-	-
Reported net profit	2,408	3,105	4,245	5,445

Balance sheet (Rs mn)

Y/E March	FY16	FY17	FY18E	FY19E
Paid-up capital	1,269	1,269	1,269	1,269
Reserves & surplus	10,250	13,423	17,605	22,977
Net worth	11,446	15,666	18,873	24,246
Borrowing	-	-	-	-
Other non-current liabilities	30	(159)	(159)	(159)
Total liabilities	11,615	15,645	18,853	24,225
Gross fixed assets	11,606	12,796	13,496	14,196
Less: Depreciation	(7,944)	(8,818)	(9,601)	(10,453)
Net fixed assets	3,662	3,978	3,895	3,744
Add: Capital WIP	367	295	-	-
Total fixed assets	4,029	4,274	3,895	3,744
Total Investment	526	1,510	-	-
Inventory	6,835	8,888	9,067	10,395
Debtors	1,926	2,049	2,058	2,367
Cash & bank	8,563	10,590	15,305	20,874
Loans & advances	634	807	1,176	1,353
Current liabilities	10,898	12,471	12,650	14,507
Net current assets	7,061	9,861	14,957	20,481
Other non-current assets	-	-	-	-
Total assets	11,615	15,645	18,853	24,225

Source: Company, Axis Capital

Cash flow (Rs mn)

Y/E March	FY16	FY17	FY18E	FY19E
Profit before tax	3,568	4,685	6,037	7,748
Depreciation & Amortisation	769	875	783	852
<i>Chg in working capital</i>	<i>1,319</i>	<i>(774)</i>	<i>(380)</i>	<i>44</i>
Cash flow from operations	4,548	3,264	4,634	6,303
<i>Capital expenditure</i>	<i>(839)</i>	<i>(1,119)</i>	<i>(405)</i>	<i>(700)</i>
Cash flow from investing	(314)	391	(405)	(700)
<i>Equity raised/ (repaid)</i>	-	-	-	-
<i>Debt raised/ (repaid)</i>	-	-	-	-
<i>Dividend paid</i>	-	-	-	-
Cash flow from financing	(53)	(117)	(108)	(93)
Net chg in cash	4,181	3,539	4,122	5,511

Key ratios

Y/E March	FY16	FY17	FY18E	FY19E
OPERATIONAL				
FDEPS (Rs)	19.0	24.5	33.5	42.9
CEPS (Rs)	25.0	31.4	39.6	49.6
DPS (Rs)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-
GROWTH				
Net sales (%)	(11.5)	14.6	18.2	15.0
EBITDA (%)	15.8	27.5	20.1	19.8
Adj net profit (%)	14.4	28.9	36.7	28.3
FDEPS (%)	14.4	28.9	36.7	28.3
PERFORMANCE				
RoE (%)	23.6	22.9	24.6	25.3
RoCE (%)	34.9	34.8	35.3	36.1
EFFICIENCY				
Asset turnover (x)	10.2	9.6	10.4	14.8
Sales/ total assets (x)	1.7	1.6	1.6	1.5
Working capital/ sales (x)	-	-	-	-
Receivable days	20.4	19.0	16.1	16.1
Inventory days	81.6	94.0	81.3	81.6
Payable days	103.7	116.0	90.7	90.9
FINANCIAL STABILITY				
Total debt/ equity (x)	-	-	-	-
Net debt/ equity (x)	(0.8)	(0.8)	(0.9)	(1.0)
Current ratio (x)	1.6	1.8	2.2	2.4
Interest cover (x)	59.2	68.1	101.7	176.6
VALUATION				
PE (x)	73.8	57.2	41.9	32.6
EV/ EBITDA (x)	44.1	34.2	27.7	22.3
EV/ Net sales (x)	4.9	4.2	3.5	2.9
PB (x)	15.5	11.3	9.4	7.3
Dividend yield (%)	-	-	-	-
Free cash flow yield (%)	2.1	1.2	2.4	3.2

Source: Company, Axis Capital

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Research Team

Sr. No	Name	Designation	E-mail
1	Hiren Trivedi	Research Associate	hiren.trivedi@axissecurities.in
2	Kiran Gawle	Associate	kiran.gawle@axissecurities.in

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Ratings	Expected absolute returns over 12-18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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