

February 02, 2024

RESULT REPORT Q3 FY24 | Sector: Consumer Durables

Whirlpool of India Ltd

Market share and margins set to improve; upgrade to BUY

Result Synopsis

Whirlpool's consolidated revenue came inline with the estimates. Revenue grew 17.9% yoy. Double digit revenue growth was driven by executional excellence, cost productivity and shifting of festive season with more festive days falling in Q3 vs Q2 in previous year. Volume across the category grew for WHIRL with them grew faster than the market resulting in market share gains. The company has rationalized the prices and have added significant amount of retail executive that have enable to derive incremental revenue from the distribution. Company expects growth momentum to continue in the ensuing quarters as well. The company has guided high single digit revenue and margins over longer term. This guidance is given taking current environment into account where durables industry is facing growth challenges and competitive intensity is significantly high. Guidance will be revised if the current environment changes. Gross margin has improved ~35bps on stable raw material prices, however it is still below its historical high that company used to enjoy, hence there is further scope for improvement. EBITDA margin has remained in low single digit as pricing action and increased investments in retail executive has resulted in higher costs negating benefit of cost takeout program. The company is working on preimmunizing products across the product category and working on launching new technological advance products. We expect WHIRL to continue with its current aggressive strategy and win back the lost market share and then further build on it. Management will continue to focus on improving profitability in the medium term and believes ELICA can deliver long-term sustainable growth as cooking category is in the nascent stage of growth. Despite near term demand headwinds, we continue to believe WHIRL's strong parentage, and recent action of launching new products across the range, taking price correction in refrigerators and growth in ELICA will bode well for company going forward. We estimate FY23-26 Revenue/EBITDA/PAT CAGR of 10%/27%/33%. We upgrade the stock to BUY rating with PT of Rs1,677 valuing the stock at 40x rolling forward our multiple to FY26 EPS.

Result Highlights

- Quarter summary** – WHIRL revenue growth has been in line with estimates, with its revenue growing 17.9% on yoy basis. This revenue growth was the result of pricing action taken by the company to win back the market share.
- Margins** – EBITDA margin expanded by 7obps yoy expansion was largely on account of higher volumes owing out of increase in retail executive and pricing action taken by the company.
- New product launches** - WHIRL have been aggressive in new product launches and expect the intensity of new products launches to continue going forward as well. New products are being launched with latest technology
- Market share** – Company has now started to gain market share from past two quarters after it took pricing action and added field executives and new launches.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	15,357	15,307	15,620	-0.6	-1.7	Lower than expected margins are on account of pricing actions and increasing retail executive
EBITDA	627	886	1,120	-17.5	-44.0	
EBITDA Margin (%)	4.1	5.8	7.1	-170 bps	-300 bps	
Adjusted PAT	299	506	550	-24.6	-45.6	

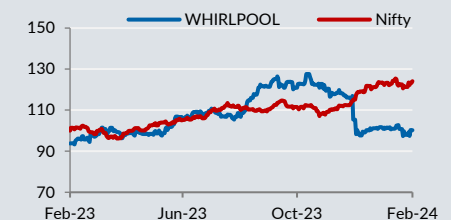
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,347
Target Price	: Rs 1,677
Potential Return	: +24.5%

Stock data (as on Feb 02, 2024)

Nifty	21,854
52 Week h/l (Rs)	1733 / 1217
Market cap (Rs/USD mn)	170630 / 2056
Outstanding Shares (mn)	127
6m Avg t/o (Rs mn):	155
Div yield (%)	0.4
Bloomberg code:	WHIRL IN
NSE code:	WHIRLPOOL

Stock performance



	1M	3M	1Y
Absolute return	-0.6%	-16.1%	6.9%

Shareholding pattern (As of Dec'23 end)

Promoter	75.0%
FII+DII	16.3%
Others	8.7%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	ADD
Target Price	1,677	1,840

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	34.0	41.9
EPS (Old)	40.9	NA
% change	-16.9%	NA%

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Revenue	70,195	80,496	88,711
YoY Growth	5.3%	14.7%	10.2%
EBIDTA	4,141	6,440	7,540
YoY Growth	11.8	55.5	17.1
PAT	2,465	4,314	5,318
YoY Growth	10.0%	75.0%	23.3%
ROE	6.8	11.2	12.7
EPS	19.4	34.0	41.9
P/E	69.3	39.6	32.1
BV	291.4	315.8	345.8
EV/EBITDA	36.4	22.7	18.7

AAKASH FADIA

Analyst

aakash.fadia@ysil.in



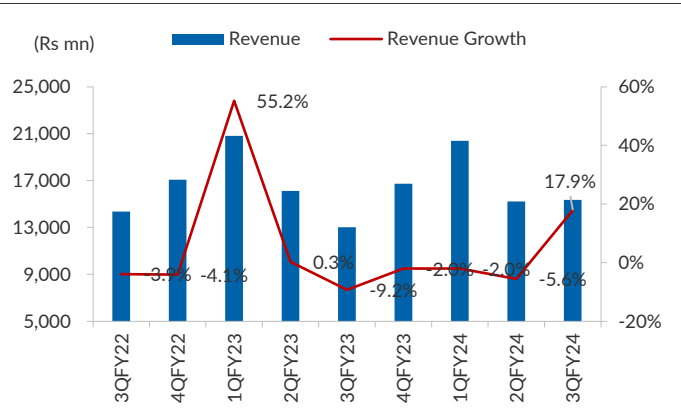
Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	y/y %	q/q %	9MFY24	9MFY23	y/y %
Sales	13,025	16,727	20,386	15,216	15,357	17.9	0.9	50,958	49,950	2.0
EBITDA	440	1056	1234	732	627	42.4	(14.3)	2,593	2,647	(2.1)
EBITDA Margin %	3.4	6.3	6.1	4.8	4.1			5.1	5.3	
Depreciation	449	523	522	492	475	5.7	(3.5)	1,488	1,331	11.8
EBIT	-9	533	712	240	153	(1,874.4)	(36.4)	1,105	1,316	(16.1)
EBIT Margin %	-0.1	3.2	3.5	1.6	1.0			2.2	2.6	
Interest charges	40	56	75	56	85	111.7	52.3	216	94	129.0
Other Income	410	323	349	339	355	(13.3)	4.8	1,043	950	9.7
PBT	361	801	986	523	423	17.1	(19.2)	1,931	2,172	(11.1)
Tax	94	163	219	141	123	31.5	(12.5)	483	569	(15.2)
Effective Tax Rate (%)	26.0	20.4	22.2	26.9	29.2			25.0	26.2	
PAT	267	637	767	382	299	12.1	(21.6)	1,449	1,603	(9.6)
PAT Margin %	2.1	3.8	3.8	2.5	1.9			2.8	3.2	
EPS (Rs)	2.1	5.0	6.0	3.0	2.4	12.1	(21.6)	11	13	(9.6)

Source: Company, YES Sec

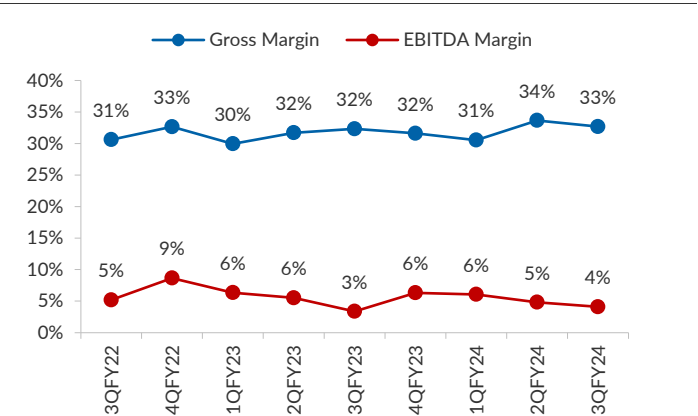
CHARTS

Exhibit 3: Pricing actions and market share gains has resulting double-digit revenue growth



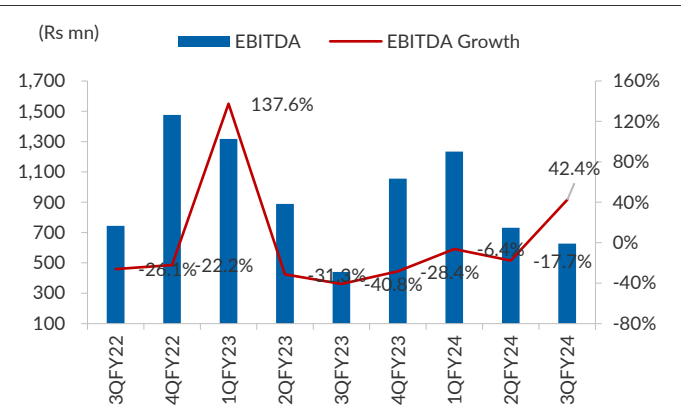
Source: Company, YES Sec

Exhibit 4: Stable RM costs have resulted in gross margin expansion



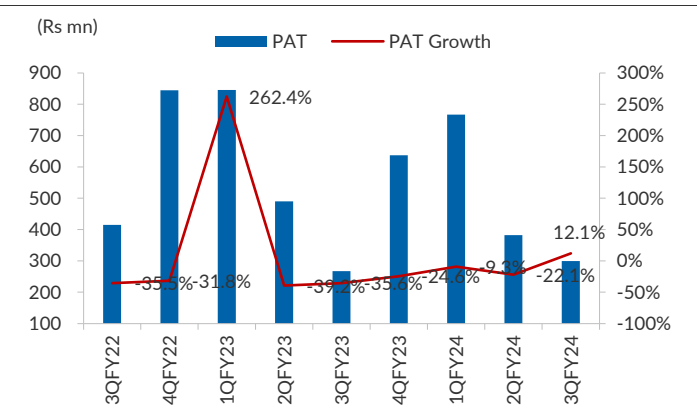
Source: Company, YES Sec

Exhibit 5: EBITDA growth is on account of low base



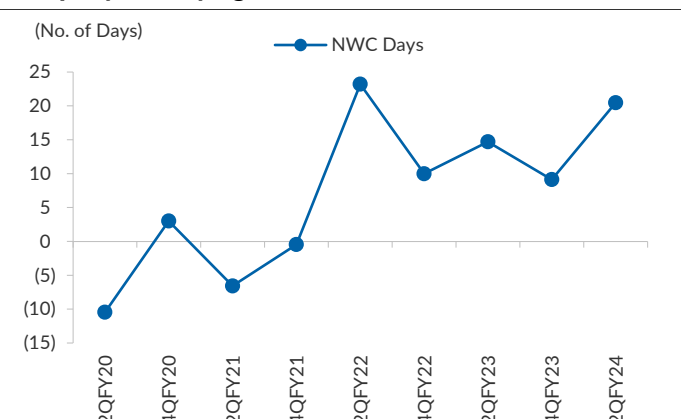
Source: Company, YES Sec

Exhibit 6: PAT growth is in line with EBITDA growth



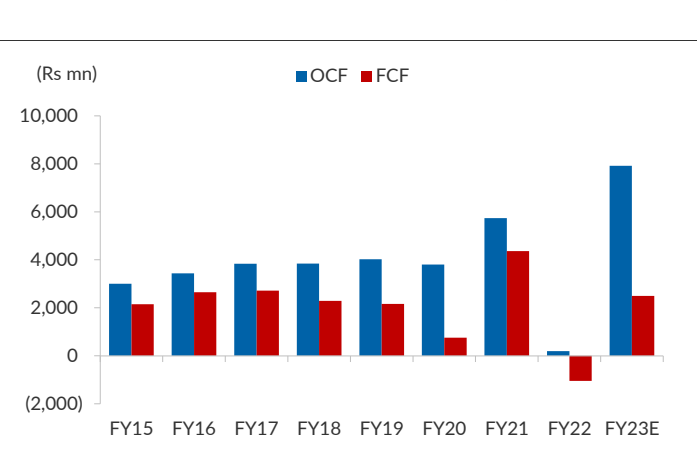
Source: Company, YES Sec

Exhibit 7: NWC has increased on higher inventory the company is carrying for festive season



Source: Company, YES Sec

Exhibit 8: OCF continues to remain strong



Source: Company, YES Sec

FINANCIALS

Exhibit 9: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	1,269	1,269	1,269	1,269	1,269
Reserves	32,312	33,935	35,702	38,794	42,606
Net worth	33,581	35,204	36,970	40,063	43,875
Debt	0	0	0	0	0
Deferred tax liab (net)	621	589	589	589	589
Other non current liabilities	5,108	4,822	4,964	5,344	5,470
Total liabilities	39,310	40,614	42,523	45,995	49,934
Fixed Asset	9,973	10,818	11,081	10,166	9,148
Investments	0	0	0	0	0
Other Non-current Assets	10,999	10,039	9,819	9,633	9,415
Net Working Capital	2,236	2,979	1,327	1,557	1,779
Inventories	13,115	15,082	14,289	16,386	18,058
Sundry debtors	4,298	4,334	4,116	4,720	5,201
Loans and Advances	2,379	2,539	2,981	3,412	3,755
Sundry creditors	14,817	16,407	17,366	19,915	21,947
Other current liabilities	2,278	2,033	2,126	2,399	2,617
Cash & equivalents	16,102	16,778	20,296	24,639	29,592
Total Assets	39,310	40,615	42,523	45,995	49,934

Source: Company, YES Sec

Exhibit 10: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	61,966	66,677	70,195	80,496	88,711
Operating profit	4,157	3,703	4,141	6,440	7,540
Depreciation	1,475	1,854	1,958	2,063	2,167
Interest expense	159	150	285	299	314
Other income	633	1,273	1,396	1,687	2,048
Profit before tax	3,156	2,972	3,293	5,765	7,107
Taxes	830	732	829	1,451	1,789
Minorities and other	-	-	-	-	-
Adj. profit	2,326	2,240	2,465	4,314	5,318
Exceptional items	-	-	-	-	-
Net profit	2,326	2,240	2,465	4,314	5,318

Source: Company, YES Sec

Exhibit 11: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	3,315	3,122	3,579	6,065	7,421
Depreciation	1,475	1,854	1,958	2,063	2,167
Tax paid	(830)	(732)	(829)	(1,451)	(1,789)
Working capital Δ	(2,304)	(743)	1,652	(229)	(223)
Other operating items					
Operating cashflow	1,655	3,501	6,360	6,447	7,577
Capital expenditure	(1,922)	(2,700)	(2,221)	(1,148)	(1,148)
Free cash flow	(267)	802	4,139	5,298	6,429
Equity raised	3,306	17	-	-	-
Investments	2,074	-	-	-	-
Debt financing/disposal	-	-	-	-	-
Interest paid	(159)	(150)	(285)	(299)	(314)
Dividends paid	(634)	(634)	(698)	(1,222)	(1,506)
Net Δ in cash	(2,460)	676	3,518	4,343	4,953

Source: Company, YES Sec

Exhibit 12: Du-pont analysis

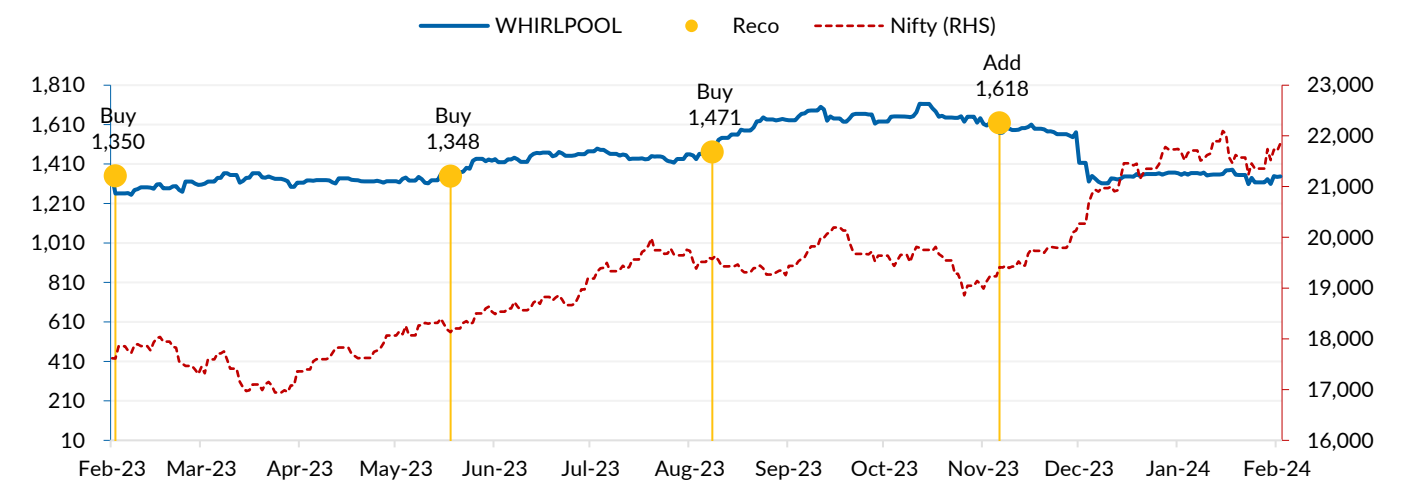
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Tax burden (x)	0.74	0.75	0.75	0.75	0.75
Interest burden (x)	0.95	0.95	0.92	0.95	0.96
EBIT margin (x)	0.05	0.05	0.05	0.08	0.08
Asset turnover (x)	1.16	1.15	1.15	1.22	1.23
Financial leverage (x)	1.72	1.69	1.69	1.71	1.72
RoE (%)	7.5	6.5	6.8	11.2	12.7

Exhibit 13: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	5.0	7.6	5.3	14.7	10.2
Op profit growth	(19.9)	(10.9)	11.8	55.5	17.1
EBIT growth	(28.9)	(5.8)	14.6	69.5	22.4
Net profit growth	(30.2)	(3.7)	10.0	75.0	23.3
Profitability ratios (%)					
OPM	6.7	5.6	5.9	8.0	8.5
EBIT margin	5.3	4.7	5.1	7.5	8.4
Net profit margin	3.8	3.4	3.5	5.4	6.0
RoCE	10.7	9.1	9.9	15.7	17.7
RoNW	7.5	6.5	6.8	11.2	12.7

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
RoA	4.4	3.8	4.0	6.6	7.4
Per share ratios					
EPS	18.3	17.7	19.4	34.0	41.9
Dividend per share	5.0	5.0	5.5	9.6	11.9
Cash EPS	30.0	32.3	34.9	50.3	59.0
Book value per share	264.7	277.5	291.4	315.8	345.8
Valuation ratios					
P/E	73.5	76.3	69.3	39.6	32.1
P/CEPS	45.0	41.7	38.6	26.8	22.8
P/B	5.1	4.9	4.6	4.3	3.9
EV/EBIDTA	37.2	41.6	36.4	22.7	18.7
Payout (%)					
Dividend payout	27.3	28.3	28.3	28.3	28.3
Tax payout	26.3	24.6	25.2	25.2	25.2
Liquidity ratios					
Debtor days	25.3	23.7	21.4	21.4	21.4
Inventory days	77.2	82.6	74.3	74.3	74.3
Creditor days	87.3	89.8	90.3	90.3	90.3

Recommendation Tracker



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Registered Address: 2nd Floor, North Side, YES BANK House,
Off Western Express Highway, Santacruz East,
Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 7th Floor, Urmi Estate Tower A, Ganpatrao
Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West),
Mumbai - 400 013, Maharashtra, India.

✉ research@ysil.in | Website: www.yesinvest.in

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Details of Compliance Officer: Name: Aditya Goenka,
Email id: compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

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