

Whirlpool of India Ltd.

Q2FY11 Results Update

November 1, 2010

| Key Stock Data | |
|------------------|-------------------|
| Sector | Consumer Durables |
| CMP | ₹300 |
| 52-wk High / Low | ₹339 / 109 |
| Market Cap | ₹3748Cr |
| BSE Sensex | 20005.37 |

| Stock Codes | |
|----------------|---------------|
| Bloomberg Code | KELV IN |
| Reuters Code | WHIR.BO |
| BSE Code | 500238 |
| NSE Code | WHIRLPOOL |
| Face Value | ₹10 per share |

| Shareholding Pattern (Sept-30-10) | |
|-----------------------------------|---------|
| Promoters | : 75.0% |
| DII | : 6.2% |
| Foreign | : 0.1% |
| Public | : 18.7% |

| Price Performance | | (%) | |
|-------------------|--------|--------|--------|
| 1 Mth | 3 Mths | 6 Mths | 1 Yr |
| 0.4% | 8.5% | 64.1% | 158.4% |

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Whirlpool Q2FY11 performance is in line with our estimates

Net profit of Whirlpool of India has gained by 22.5% to ₹30.55Cr as against ₹24.93Cr on y-o-y basis. Sales increased by 16.33% to ₹628.11Cr as against ₹539.92Cr on y-o-y basis. The company is expecting an overall growth rate of 15-20% mainly on expansion of semi-urban markets, development of infrastructure and increase in disposable income. On half yearly basis, the turnover registered a growth of 31% to ₹1727Cr from ₹1315Cr, while PAT grew by 33% to ₹95Cr from ₹71Cr.

Margin Contraction

The EBIDTA margins declined to 9.8% v/s. 11.3% on y-o-y basic due to higher material cost. The company has increased its prices on its appliances, impact on which will be seen in next quarters.

Expansion Plans

Being a debt free company, it has plans to invest in logistics infrastructure. Going forward, to support higher volumes, the company is likely to increase the number of warehouses.

Concerns

Stiff Competition from Korean & domestic players will be a threat to maintain market share of consumer durable industry. There will be margin pressure due to higher cost of raw material. Interest hike will reduce borrowing capacity of consumer to spend on home appliances.

Outlook & Valuation

At CMP ₹300 stock trades at 20.6x FY11E EPS and 14.8x FY12E EPS, and P/BV of 9.8 xs and 8.2 xs for FY11E and FY12E respectively. We have a positive outlook on the company based on demand for consumer durables especially home appliances on account of increased per capita income, higher working women population & spread in semi urban markets.

Highlights of Q2FY11

(₹Cr)

| Particulars | Q1 FY11 | Q2 FY10 | Q2 FY11 | Y-o-Y | Q-o-Q | H1 FY10 | H1 FY11 | Y-o-Y | FY 10 | FY11E | Y-o-Y |
|-------------------------------|---------------|---------------|---------------|--------------|---------------|----------------|----------------|--------------|----------------|----------------|--------------|
| Gross Sales | 1056.60 | 569.60 | 670.95 | 17.8% | -36.5% | 1315.48 | 1727.55 | 31.3% | 2602.91 | 3190.46 | 22.6% |
| Trade Discounts | 136.60 | 68.58 | 67.04 | -2.2% | -50.9% | 169.9 | 203.64 | 19.9% | 329.22 | 365.43 | 11.0% |
| Excise Duty | 62.92 | 29.68 | 42.84 | 44.3% | -31.9% | 68.54 | 105.77 | 54.3% | 136.20 | 191.43 | 40.5% |
| Net Sales | 857.08 | 471.34 | 561.07 | 19.0% | -34.5% | 1077.04 | 1418.14 | 31.7% | 2137.49 | 2633.60 | 23.2% |
| Other Operating Income | 22.40 | 20.98 | 29.25 | 39.4% | 30.6% | 39.56 | 51.66 | 30.6% | 81.75 | 119.96 | 46.7% |
| Total Income | 879.48 | 492.32 | 590.32 | 19.9% | -32.9% | 1116.60 | 1469.80 | 31.6% | 2219.24 | 2753.56 | 24.1% |
| Raw Material Cost | 573.62 | 291.98 | 354.13 | 21.3% | -38.3% | 685.48 | 927.75 | 35.3% | 1360.42 | 1780.81 | 30.9% |
| Employee Expenses | 48.88 | 37.51 | 53.36 | 42.3% | 9.2% | 73.81 | 102.24 | 38.5% | 160.36 | 170.78 | 6.5% |
| Other Expenses | 154.57 | 109.40 | 127.90 | 16.9% | -17.3% | 218.45 | 282.47 | 29.3% | 452.92 | 505.01 | 11.5% |
| TOTAL EXPENDITURE | 777.07 | 438.89 | 535.39 | 22.0% | -31.1% | 977.74 | 1312.46 | 34.2% | 1973.70 | 2456.60 | 24.5% |
| EBITDA | 102.41 | 53.43 | 54.93 | 2.8% | -46.4% | 138.86 | 157.34 | 13.3% | 245.54 | 296.96 | 20.9% |
| Other Income | 5.30 | 3.39 | 3.61 | 6.5% | -31.9% | 6.12 | 8.90 | 45.4% | 19.02 | 23.09 | 21.4% |
| Depreciation | 10.90 | 11.50 | 10.62 | -7.7% | -2.6% | 21.07 | 21.51 | 2.1% | 39.68 | 40.49 | 2.0% |
| EBIT | 96.81 | 45.32 | 47.92 | 5.7% | -50.5% | 123.91 | 144.73 | 16.8% | 224.88 | 279.56 | 24.3% |
| Interest | 0.78 | 0.69 | 0.68 | -1.4% | -12.8% | 6.23 | 1.46 | -76.6% | 8.27 | 0.00 | |
| Profit Before Tax | 96.03 | 44.63 | 47.24 | 5.8% | -50.8% | 117.68 | 143.27 | 21.7% | 216.61 | 279.56 | 29.1% |
| Exceptional Items | | 2.35 | | | | 4.70 | | -100.0% | 9.40 | 0.00 | |
| Tax | 31.83 | 17.35 | 16.69 | -3.8% | -47.6% | 41.82 | 48.53 | 16.0% | 62.19 | 83.87 | 34.9% |
| Profit After Tax | 64.20 | 24.93 | 30.55 | 22.5% | -52.4% | 71.16 | 94.74 | 33.1% | 145.02 | 195.69 | 34.9% |
| EPS (₹) | 5.06 | 1.97 | 2.41 | | | 5.61 | 7.47 | 33.1% | 11.44 | 15.43 | 34.9% |
| EBIDTA Margins | 11.9% | 11.3% | 9.8% | | | 12.9% | 11.1% | | 11.5% | 11.3% | |
| PAT Margin | 7.5% | 5.3% | 5.4% | | | 6.6% | 6.7% | | 6.8% | 7.4% | |
| Paid-up Equity Capital | 12.68 | 12.68 | 12.68 | | | 12.68 | 12.68 | | 12.68 | 12.68 | |

Financials**Consolidated Profit & Loss Statements** (₹Cr)

| Particulars | 2009 | 2010 | 2011E | 2012E |
|-------------------------------|----------------|----------------|---------------|---------------|
| Gross Sales | 2022.12 | 2602.91 | 3190.46 | 3920.77 |
| Excise Duty | 160.66 | 136.2 | 191.43 | 235.25 |
| Net Sales | 1861.46 | 2466.71 | 2999.03 | 3685.52 |
| Other Operating Income | 78 | 82 | 120 | 184 |
| Total Income | 1939.75 | 2548.46 | 3119 | 3870 |
| Raw Material Consumed | 856.49 | 1076.07 | 1452.69 | 1961.14 |
| Stock Adjustment | 25.91 | -113.53 | -113.53 | -113.53 |
| Purchase of Finished Goods | 220.95 | 397.88 | 441.65 | 490.23 |
| Employee Expenses | 135.94 | 160.36 | 170.78 | 181.88 |
| Selling & Administrative Exp. | 214.81 | 329.22 | 365.43 | 405.63 |
| Provisions & Write Offs | 9.43 | 9.4 | 9.4 | 9.19 |
| Other Expenses | 340.75 | 452.92 | 505.0 | 563.1 |
| TOTAL EXPENDITURE | 1804.28 | 2312.32 | 2831 | 3498 |
| EBDITA | 135.47 | 236.14 | 287.51 | 371.87 |
| EBDITA % | 7.28% | 9.57% | 9.59% | 10.09% |
| Other Income | 5.37 | 19.02 | 23.1 | 28.4 |
| Interest | 15.64 | 8.27 | 0.00 | 0.00 |
| Depreciation | 39.01 | 39.68 | 40.49 | 42.38 |
| PBT | 86.19 | 207.21 | 270.12 | 357.87 |
| Tax | 15.67 | 62.19 | 81.03 | 107.36 |
| PAT | 70.52 | 145.02 | 189.08 | 250.51 |
| PAT Margin | 3.79% | 5.88% | 6.30% | 6.80% |
| Calculated EPS | 5.56 | 11.44 | 14.91 | 19.76 |
| Equity | 12.68 | 12.68 | 12.68 | 12.68 |

E: Keynote Capitals Institutional Research Estimates

Consolidated Balance Sheets (₹Cr)

| Particulars | 2009 | 2010 | 2011E | 2012E |
|---------------------------------|---------------|---------------|---------------|---------------|
| SOURCES OF FUNDS : | | | | |
| Share Capital | 279.21 | 279.21 | 279.21 | 279.21 |
| Reserves Total | 24.87 | 87.49 | 142.21 | 204.65 |
| Total Networkth | 304.08 | 366.7 | 421.42 | 483.86 |
| Unsecured Loans | 110.24 | 0.15 | 0 | 0 |
| Total Debt | 110.24 | 0.15 | 0 | 0 |
| Total Liabilities | 414.32 | 366.85 | 421.42 | 483.86 |
| APPLICATION OF FUNDS : | | | | |
| Gross Block | 700.79 | 723.52 | 774.17 | 828.36 |
| Less : Accumulated Depreciation | 394.35 | 433.68 | 476.34 | 523.41 |
| Net Block | 306.44 | 289.84 | 297.82 | 304.95 |
| Capital Work in Progress | 2.02 | 13.27 | 15.80 | 20.46 |
| Total Current Assets | 534.21 | 823.58 | 1076.3 | 1410.2 |
| Total Current Liabilities | 511 | 771 | 984 | 1272 |
| Net Current Assets | 23.21 | 52.26 | 92.51 | 138.02 |
| Total Assets | 414.32 | 366.85 | 421.9 | 483.9 |

E: Keynote Capitals Institutional Research Estimates

Consolidated Cash Flow Statements

| Particulars | 2009 | 2010 | 2011E | 2012E |
|-----------------------------------------------------|-------|-------|--------|--------|
| Net profit before Taxation and extra-ordinary items | 28.80 | 86.19 | 207.21 | 272.07 |
| Operating Profit Before Working Capital Change | 91 | 125 | 193 | 244 |
| Change in Working Capital | 32 | (40) | 7 | 7 |
| Net Cash Flow from Operating Activites(I) | 184 | 189 | 200 | 252 |
| Net Cashflow from investing activites(II) | (25) | (39) | (51) | (54) |
| Net Cash Flow from Financing Activites(III) | (119) | (165) | (8) | (11) |
| Cash generated | 40 | (16) | 141 | 186 |
| Opening cash & cash Equivalents | 33 | 73 | 62 | 109 |
| Closing Cash & Cash Equivalents | 73 | 62 | 109 | 162 |

E: Keynote Capitals Institutional Research Estimates

Ratio Analysis- Whirlpool

| Particulars | 2009 | 2010 | 2011E | 2012E |
|------------------------------|-------|-------|-------|--------|
| Profitability Margins | | | | |
| EBIDTA Margin | 7.28% | 9.57% | 9.59% | 10.09% |
| EBIT Margin | 5.47% | 8.74% | 9.01% | 9.71% |
| PAT Margin | 3.79% | 5.88% | 6.30% | 6.80% |
| Coverage Ratio | | | | |
| Interest Coverage ratio | 6.51 | 26.06 | 0.00 | 0.00 |
| Profitability Ratios | | | | |
| ROE | 23% | 40% | 46% | 54% |
| ROCE | 25% | 59% | 65% | 77% |
| Leverage Ratios | | | | |
| Debt Equity Ratio | 0.36 | 0.00 | 0.00 | 0.00 |
| Debt/PAT | 1.56 | 0.00 | 0.00 | 0.00 |
| Current Ratio | 1.05 | 1.07 | 1.10 | 1.12 |
| Efficiency Ratios | | | | |
| Inventory Turnover Days | 59 | 68 | 67 | 66 |
| Debtors Days | 16 | 21 | 21 | 21 |
| Creditor Days | 218 | 262 | 235 | 214 |
| Valuation Ratios | | | | |
| PP/E | 53.94 | 25.00 | 20.64 | 14.79 |
| P/BV | 12.51 | 10.73 | 9.18 | 8.21 |
| EV/EBIDTA | 7.11 | 15.23 | 12.44 | 9.55 |
| EPS | 5.56 | 12.00 | 14.53 | 20.28 |

Keynote Capitals Ltd.

Member

Stock Exchange, Mumbai (INB 230930539)
National Stock Exchange of India Ltd. (INB 010930556)
Over the Counter Exchange of India Ltd. (INB 200930535)
Central Depository Services Ltd. (IN-DP-CDSL-152-2001)

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