



Farsight

## MORNING FARSIGHT

Monday, November 26, 2018

**WHIRLPOOL**

**CMP:RS 1364**

**TRGT:RS 1600**

**TIME HORIZON: 1 YEAR**

Whirlpool of India is offering renewed buying opportunity. Company is manufacturing refrigerators, washing machines, air-conditioners, deep freezers, coffee grinders, Microwave Ovens etc., having market cap of Rs. 17,300 cr with annual turnover of Rs. 5,000 cr. Company has posted strong H1FY19 earnings with PAT growth of over 18% at Rs. 242 cr and seasonally stronger Q3/Q4 results are on the anvil, which are seen to be stronger given festive demand and reduction in GST rates from 28% to 18% on refrigerators and washing machines and strong visibility for multiyear steady growth rate. In FY18, 57% of sales came from Refrigerators, 21% from washing machines, 9% from Air-conditioners, while the remaining 13% came from microwave ovens, built-in kitchen appliances, water purifiers as well as spares and service. Going ahead, company already having strong presence in mass premium segment, it is planning to gain market share in mass & premium segment and has recently launched new products in semi-automatic washing machine, larger size washing machine (7.5kg to 8.5kg), premium refrigerator (4 doors) and IoT-enabled air-conditioner as well as forayed into dish-washer category. Company is aiming to launch a new product/variant every two months to refresh and strengthen its product portfolio. Whirlpool is likely to outpace the home appliance industry's growth, given its wide distribution reach and continued expansion, plugging of portfolio gap (front-load washing machine, high-end refrigerator) and scaling up of other product categories. Compared to developed nations, India's consumer durables market offers immense growth potential, given low penetration. In refrigerators segment, the penetration is only 21% in India, a fourth of the global penetration of about 85%, while penetration of washing machines is still under 10%. Penetration of air-conditioners is also minuscule, at just above 3%. Company has also announced a strategic JV with Elica and acquired 49 percent equity in Elica PB India, which will manufacture and distribute cooking and built-in appliances under the Whirlpool brand. Elica India is manufacturing and trading of kitchen equipment such as hobs, kitchen hoods, ovens and dishwashers. Whirlpool has a strong brand recall in the Indian consumer goods industry and we find that stock trading at EV/Sales of 3.3x and PE of 39x, is likely to provide much needed stability to the portfolio with surety on earnings growth and high RoE of 24%. Share ruling at Rs. 1,364 can move to Rs. 1,600 in 1 year. Buy as an investor only.

**DISCLAIMER:** This is solely for information of clients of Farsight Securities Ltd. and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Farsight Securities Ltd. its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Farsight Securities Ltd. or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Farsight Securities Ltd. in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Farsight Securities Ltd. has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Farsight Securities Ltd. makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.