

Outlook & Valuation: Renewed business strategy a key differentiator

WPIL's market share and growth were tepid till FY14-15. Thereon, its US-based parent changed tack and decided to alter its business stance in India from profitability/cash flow to focusing on market share/cash flow. Since then, the company has been witnessing strong uptick in top line/bottom line and cash flows which were impelled by its multi-layered strategy to: a) plug gaps in key products; and b) strengthen dealer distribution network. While WPIL ramped up market share in refrigerators/washing machines in past 2 years, we believe there exists significant scope to further improve.

Edelweiss _ IC _ 06.07.17

by the company. Focus during this period was more on preserving and improving EBITDA margins at a time when Japanese/Korean players became aggressive targeting market share. This resulted in WPIL losing its competitive edge for some time. The strategy to improve average product realisation and plug key gaps in past 3 years has resulted in overall improvement in profitability, which we believe is going to increase marginally going forward as the focus of the parent has changed from increasing profitability to product ramp up and market share gain. Whirlpool has launched several new SKUs leveraging on parent's technology & R&D prowess which we believe augurs well for profitability.

Strong parentage provides edge against rivals like LG, Samsung, Panasonic

For players to survive and grow in the industry, technology upgrades are imperative. Whirlpool Corporation, WHIRL's parent company and a global giant in home appliances, has strong R&D capabilities with a wide range of product offerings across categories. While WHIRL has its own R&D facility, it also gets strong support from Whirlpool Corporation in the form of latest cutting-edge technology and product innovation. WHIRL also plans to launch new range of products from Indesit- acquired by Whirlpool Corporation in Oct'14 with 15 manufacturing facilities and technology research centers in 8 countries - which has a wide range of products for the Indian consumer.

WHIRL currently pays ~1.3% of sales to the parent company as royalty, and we believe strong support from Whirlpool Corporation is likely to offer an edge vs. competitors in the domestic home appliances space.

Equirus _ IC _ 12.01.18

- **Strong parentage:** WIL's parent, Whirlpool Corporation, is the world's top home appliance company. While WIL has its own research & development facility and spends 0.7% to 1.5% of its sales on R&D, it also gets strong support of latest cutting-edge technology and product innovation from its global parent. The royalty and technological know-how fees paid by WIL to its parent also stand at a reasonable level of 1.3% of sales in FY15/FY16 each, and are much lower than 3%-4% royalty paid by other MNC peers to their parent. The management of WIL does not expect the current rate of royalty and technological knowhow fees to change materially.

Nirmal Bang _ IC _ 16.03.17

Strong Parentage: Whirlpool Corporation, the parent company of Whirlpool of India Ltd., is one of the world's top home appliance makers company. It specializes in laundry appliances, refrigerators and freezers, cooking appliances, dishwashers, and compressors and are sold under various established brand names.

To have a competitive edge in the highly fragmented consumer durable market, Whirlpool Corp spends around 3% of net sales for R&D expenses and its Indian subsidiary spends around 1 percent of its sales. The strong focus on R&D would help Whirlpool of India to tap the opportunities that arises from the continual shift in demographics, socio-cultural trends and rising aspirations in their markets.

Low royalty fees: To have access to the state-of-the-art technologies from its parent, it pays around 1% of sales as royalty to its parent company, which is much lower than 3-4% paid by its peers to their parent. This is likely to improve the profitability of the firm on the back of the lower royalty fees.

Stewart & Mackertich _ IC _ 08.03.18

Home Cooking appliances to be a major contributor: India's cooking appliances market is still un-trapped and is run by a few major players. At present, around 7% of its revenue is contributed by cooking appliances and other products, compared to 19% by cooking appliances to the parent company. Backed by strong parentage, Whirlpool of India has a wide headroom to grow in this segment. Whirlpool of India has launched the KitchenAid brand in India to cater to the segment, thereby enhancing its built-in kitchen appliances portfolio. We believe this segment will be a major contributor to the company's sales going forward.