

## Rating Rationale

October 17, 2023 | Mumbai

### Whirlpool of India Limited

Ratings Reaffirmed

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#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.300 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL AA+/Stable (Reaffirmed)</b>

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<b>Rs.25 Crore Short Term Debt</b>	<b>CRISIL A1+ (Reaffirmed)</b>
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has reaffirmed its **CRISIL AA+/Stable/CRISIL A1+** ratings on the bank facilities and short term debt of Whirlpool of India Limited (Whirlpool).

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The operating income grew by ~8% in fiscal 2023 despite challenging macroeconomic environment and weak festive demand. The operating margin remained modest at ~5.9% due to continued high input prices, energy standard changes and high competitive intensity. Going forward, with the softening of commodity prices coupled with focus on premium portfolio (high margin) and the cost reduction program will lead to improvement in margins. CRISIL Ratings notes that the consumer durables industry has been facing profitability pressures, however, improvement in profitability is a key monitorable.

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While Whirlpool paid dividend of Rs 63.44 crore to Whirlpool Corp in fiscal 2023, its standalone financial risk profile remained strong, as indicated by nil debt and liquid surplus of ~Rs 1,687 crore as on March 31, 2023. The company will likely maintain strong liquidity despite dividend payments over the medium term.

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The ratings continue to reflect the established market position of Whirlpool in the consumer durables segment, its standalone financial risk profile and technical support from the US-based parent, Whirlpool Corp (rated **BBB/Negative** by S&P Global Ratings). These strengths are partially offset by susceptibility to volatility in input prices and intense competition across product categories.

#### Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of Whirlpool and Elica PB India Pvt Ltd. Both the entities are herein referred to as Whirlpool.

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CRISIL Ratings has also amortised goodwill of Rs 747.8 crore generated at the time of acquisition of Elica PB India Pvt Ltd over 10 years from fiscal 2022.

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Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

#### Key Rating Drivers & Detailed Description

##### Strengths:

**Established market position:** Whirlpool has an established market position in the refrigerator and washing machine segments, which together account for a majority of the company's revenue. The company has maintained its market position, backed by its strong brand, established distribution network, new product launches, investment in R&D and potential demand in Tier 2 and 3 cities, and will likely sustain its position.

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**Strong financial risk profile:** The financial risk profile remains strong, driven by a debt-free capital structure, healthy cash accrual and efficient working capital management. Liquidity is ample, supported by cash and liquid investment of ~Rs 1,687 crore as on March 31, 2023.

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**Technical support from the parent:** Whirlpool Corp is one of the world's largest manufacturers of home appliances. The company benefits from the parent's strong international brand and robust technical capability and gets healthy credit for procurement of raw materials and traded goods, given its established brand and longstanding relationships with suppliers. Considering India's large market, low penetration, increasing domestic demand and rising disposable income, Whirlpool will remain strategically important to its parent over the medium term.

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##### Weaknesses:

**Exposure to intense competition:** Despite stiff competition from large, organised players, Whirlpool has maintained market share in the refrigerator and washing machine segments, on account of its strong distribution network and brand. However, competitive intensity keeps profitability under pressure and improvement in profitability through consolidation in market position remains essential.

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**Susceptibility to volatility in raw material prices:** Raw material and traded goods form around 70% of the cost of sales. Prices of primary raw materials (including aluminum, copper, plastic and steel) in the consumer durables industry have been volatile over the past few years. Prices increased in fiscal 2022 and the first quarter of fiscal 2023 leading to pressure on operating margin. However, the commodity prices has been softening since Q4, 2023 but the full benefit of the same is yet to be seen.

Whirlpool had a stable operating margin of 11-12% pre-covid. However, the margins were impacted in the last three years through March 2023 as covid affected peak season sales and given the company's limited ability to pass on higher raw material prices entirely to consumers due to high competitive intensity in the industry. Profitability will remain susceptible to any adverse movement in raw material prices, and the company's ability to pass on such cost fluctuations will be a key monitorable. However, the commodity prices has been softening since Q4 2023 and company's focus on premium portfolio (high margin) and the cost reduction program will lead to improvement in margins in medium term.

#### **Liquidity: Superior**

Whirlpool's liquidity is driven by ample cash and equivalent of Rs 1,687 crore at the end of fiscal 2023, and further supported by unutilised working capital limits of ~Rs 450 crore as on 30<sup>th</sup> June, 2023. Healthy annual cash generation of over Rs 400 crore against nil term debt will cushion liquidity. CRISIL Ratings believes the company has ample accrual to finance any capital expenditure (capex) or investment requirement.

#### **Outlook: Stable**

Whirlpool will continue to benefit from its healthy market share and established brand. The financial risk profile is expected to remain strong in the absence of any debt-funded capex.

#### **Rating Sensitivity Factors**

##### **Upward factors:**

- Significant growth in market share, leading to revenue growth of around 20% with expansion in profitability to pre-pandemic levels
- Better segmental diversification, with significant revenue contribution from segments other than refrigerators and washing machines, and continued robust financial risk profile

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##### **Downward factors:**

- Decline in market share leading to fall in revenue by more than 5% on a sustained basis
- Inability to improve operating margins from current levels
- Weakening capital structure or liquidity because of sizeable, debt-funded capex or acquisition or cash outflow to the parent.

#### **About the Company**

Whirlpool was incorporated as Kelvinator of India Ltd in 1960 and got its present name in 1994, when it entered into a strategic alliance with Whirlpool Corp. In 1995, the company launched refrigerators under the Whirlpool brand. It also manufactures washing machines and deals in air-conditioners, microwave ovens and deep freezers. In 2022, the company has entered into the premium Front Load washing machines category by launching the XpertCare range.

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For the first quarter of fiscal 2024, profit after tax (PAT) was Rs 77 crore on net sales of Rs 2,039 crore, against Rs 85 crore and Rs 2,081 crore, respectively, for the corresponding period of the previous fiscal.

#### **Key Financial Indicators (Consolidated)- CRISIL Ratings Adjusted numbers**

As on/for the period ended March 31	Unit	2023	2022*
<b>Operating Income</b>	<b>Rs crore</b>	<b>6689</b>	<b>6197</b>
<b>PAT</b>	<b>Rs crore</b>	<b>149</b>	<b>493</b>
<b>PAT margin</b>	<b>%</b>	<b>2.2</b>	<b>7.9</b>
<b>Adjusted debt/adjusted networkth</b>	<b>Times</b>	<b>-</b>	<b>-</b>
<b>Interest coverage</b>	<b>Times</b>	<b>32.3</b>	<b>30.6</b>

\*The PAT in fiscal 2022 is high due to one-time adjustments (Rs 325 crore) done on account of the acquisition of Elica PB India Pvt Ltd

Note: The reported PAT (by company) differs by ~Rs 74.8 crores due to adjustments (amortization) for goodwill of Elica PB India Pvt Ltd

**Any other information:** Not applicable

#### **Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

#### **Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	275	NA	CRISIL AA+/Stable
NA	Proposed long term bank loan facility	NA	NA	NA	25	NA	CRISIL AA+/Stable
NA	Short Term Debt	NA	NA	7-365 days	25	Simple	CRISIL A1+

#### **Annexure - List of Entities Consolidated**

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Elica PB India Pvt Ltd	Full Consolidation	Strong business and financial linkages

#### **Annexure - Rating History for last 3 Years**

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
<b>Fund Based</b>	LT	300.0	CRISIL	^	--	04-11-22	CRISIL	29-10-21	CRISIL	27-10-20	CRISIL	CRISIL

Facilities			AA+/Stable				AA+/Stable		AA+/Stable		AA+/Stable	AA+/Stable
Â	Â	Â	--	Â	--	27-10-22	CRISIL AA+/Stable	Â	--	Â	--	--
<b>Short Term Debt</b>	ST	25.0	CRISIL A1+	Â	--	04-11-22	CRISIL A1+	29-10-21	CRISIL A1+	27-10-20	CRISIL A1+	CRISIL A1+
Â	Â	Â	--	Â	--	27-10-22	CRISIL A1+	Â	--	Â	--	--

All amounts are in Rs.Cr.

#### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	2	Bank of America N.A.	CRISIL AA+/Stable
Cash Credit	75	MUFG Bank Limited	CRISIL AA+/Stable
Cash Credit	75	Citibank N. A.	CRISIL AA+/Stable
Cash Credit	63	HDFC Bank Limited	CRISIL AA+/Stable
Cash Credit	60	BNP Paribas Bank	CRISIL AA+/Stable
<b>Proposed Long Term Bank Loan Facility</b>	<b>25</b>	<b>Not Applicable</b>	<b>CRISIL AA+/Stable</b>

#### Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">Rating Criteria for Consumer Durable Industry</a>
<a href="#">Mapping global scale ratings onto CRISIL scale</a>
<a href="#">CRISILs Criteria for rating short term debt</a>
<a href="#">CRISILs Criteria for Consolidation</a>

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