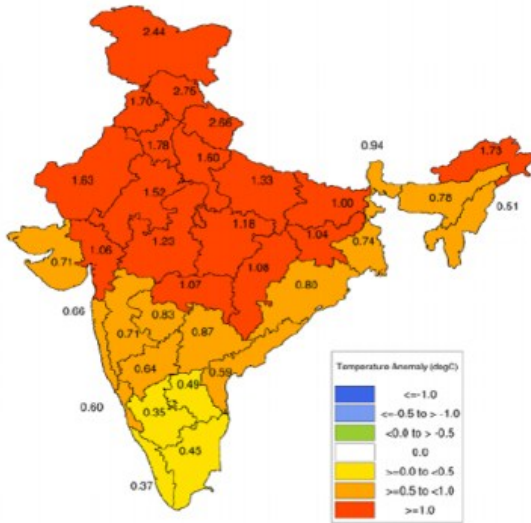


**Golden Summer for the White Goods makers**

**Max Temperature Anomaly Forecast (Mar-May 2018)**



Source : IMD, SMIFS Research

The Consumer white goods industry which has been battling with poor demand over the last one year due to DeMo and GST implementation is now on the path of recovery. Indian Meteorological Department (IMD) has forecasted a scorching summer this year, which is likely prove to be a golden summer for the Consumer Durable industry, especially the AC makers.

In order to meet the summer demand, the companies have already ramped up their production and restocking boosted across the dealer networks. According to Mr Pradeep Bakshi, MD of **Voltas Ltd.**, the company has ramped up its production by almost 20% as they expect much higher sales growth now than they expected earlier. Also, the night temperature reported being higher since mid-February which pushed the AC sales. Mr Kanwal Jeet Jawa, MD & CEO of **Daikin Airconditioning India** also reported having said that they are targeting to have INR4000 crore of sales this year by doubling their annual production to 15 lakh units.

**Blue Star** has launched 40 new air-conditioner models and eyeing 17% growth in sales this year, up by 500 bps compared to the industry growth. In order to meet the demand, they are planning to invest about INR55 crores in the forthcoming summer season. They are also expecting to outperform the market and achieve 12.5% market share in FY19 from current 11.5%.

India's room AC market size is around 6 million units which is much smaller compared to China's 80 million units. The penetration level in room AC in India is around 5%. Due to the low penetration, we believe that the competition will be higher and we can expect the companies to spend slightly higher on the A&P expenses compared to previous quarters.

The change in Energy efficiency norms took place on January 1, 2018, where a 5-star rated AC became a 3-star rated AC and the prices have been raised by 4-5%. As a result, the consumers for the star AC end up paying more money. Also, a rise in key raw material prices such as Copper, Steel and Refrigerants will create a pressure on margins for the AC makers.

Apart from ACs, we expect the demand for Refrigerators, Air coolers and Electric fans is also likely to go up on the back of improved rural economy, access to easy zero-cost financing and anticipated scorching summer. Early this year, **Whirlpool of India** has decided to opt for a brownfield expansion in their refrigeration facilities in order to meet the incremental demand of single-door

**Rural Housing Electrification Status**



Source : Power Ministry, SMIFS Research



### Financial of the Companies which are likely to be benefited

Companies	Mcap (INR Cr)	CMP (INR)	Revenue (INR Cr)			EBITDA (INR Cr)			PAT (INR Cr)			P/E (x)			Mcap/TTM Sales (x)	P/BV (x)	ROE (%)			D/E (x)
			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	Current	FY18E	FY19E			FY17	FY18E	FY19E	
Blue Star	7,604.31	792.20	4,387.72	4,864.60	5,638.00	222.40	276.20	361.20	121.96	151.30	210.50	61.66	49.92	35.79	1.63	9.80	17.73	18.86	23.55	0.29
IFB Industries	5,519.27	1,362.15	1,740.65	2,164.30	2,630.10	98.38	166.50	232.50	50.97	85.67	133.20	177.00	64.24	41.44	2.63	10.40	11.50	16.72	19.99	0.06
Johnson Controls-Hitachi	6,797.31	2,499.85	1,971.58	2,280.20	2,679.50	167.08	197.30	249.90	81.04	104.90	141.20	79.94	64.39	48.41	3.01	13.73	20.33	21.70	23.15	0.14
Symphony	12,567.43	1,796.45	768.03	899.00	1,101.90	198.26	244.20	302.70	165.60	199.30	249.90	75.89	62.15	49.21	16.36	27.38	42.51	37.81	39.76	0.04
Voltas	21,168.35	639.75	6,032.80	6,681.70	7,674.20	579.08	669.20	783.50	530.67	580.30	665.00	41.61	36.56	31.86	3.32	5.82	16.64	16.40	16.66	0.05
Whirlpool of India	19,785.03	1,559.45	3,940.77	5,014.81	6,218.36	488.84	570.68	738.73	310.49	374.13	490.55	59.29	52.90	40.30	4.08	11.64	23.44	22.71	24.12	0.00

Source: ACE Equity, Bloomberg, SMIFS Research

CMP & Mcap taken as on March 13, 2018

We initiated a coverage report on Whirlpool of India Ltd on March 08, 2018, with a Target Price of INR1695.

For detailed report, please find the link below:

[https://www.smifs.com/files/reports/636564555292706497\\_SMIFS%20Research\\_%20Initiating%20Coverage%20Report%20on%20Whirlpool%20of%20India%20Ltd.pdf](https://www.smifs.com/files/reports/636564555292706497_SMIFS%20Research_%20Initiating%20Coverage%20Report%20on%20Whirlpool%20of%20India%20Ltd.pdf)

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Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 12% and 20%
Accumulate	between 6% and 12%
Hold	between 0% and 6%
Sell	0 to <-10%
Neutral	No Rating

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