

Consumption likely to rise in second half of 2016: Sunil A D'Souza, Whirlpool

http://articles.economictimes.indiatimes.com/2016-03-17/news/71602647_1_whirlpool-india-sales-growth-good-growth.html

ET Now: Do you think the two-three big schemes from the government will boost consumption in the brown and white goods space?

Sunil A D'Souza: In the last 12 months, we have seen a bit of softness in demand in the Indian economy and that has affected the overall industry.

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As money comes into the hands of the consumers, we see discretionary spends going up and that is good news for our industry. So we are looking forward to some good growth in the back half of the year.

ET Now: The flip side to this is that for a lot of these retired army personnel investing will not be as big a draw as would be to enjoy the money that they are getting. Would replacement demand be high enough to really boost sales of company such as yours?

Sunil A D'Souza: In India penetration levels across categories and segments are quite low. So there is an opportunity for growth on all ends of the spectrum. So it is not only for the first time buyers but there is a huge opportunity for the replacement buyers, as well.

There is the value-conscious first time buyer who is coming in at the same time when there is an Indian who is exposed to global trends. So we see opportunity on growth in all segments.

At Whirlpool India, we are focussed on making sure that we have got innovative product pipeline so that we offer value to the consumers and take advantage of this. As the economy starts growing in line with government projections of over 7 per cent and puts more discretionary spends in the hands of the consumers, we definitely see spends going up and growth starting to get disproportionately high in the coming days.

So opportunity yes. I think the critical piece is to make sure from our perspective that, as a company, we address the needs of the consumers with local insights, provide value to them and make sure that we have got cost manufacturing and working capital inefficiencies under control to deliver good financial results.

ET Now: So you believe that 7 per cent growth, which you have seen in the first nine months, could significantly push the sales up at Whirlpool?

Sunil A D'Souza: Typically what happens in any standard economic scenario is, up to a level of economic growth people remain focussed on subsistence, consumption, etc. As more and more money comes in the hands of the consumers, there is more discretionary spends and when that happens, they start spending to enjoy life to the fullest, and therefore, they need to have good appliances. Hence, they will start entering the consumption space of appliances and the people who have them already will look at upgrading or replacing them. So, there will be growth at both the entry-level as well as the replacement level, going forward.

ET Now: Some time ago, Whirlpool had guided to a dramatic uptick in sales numbers with a three-year, five-year view. While this year has been a bit soft, 7 per cent is no great feat considering the lofty standards you have maintained in the past, give us an estimate of the kind of sales growth that Whirlpool can clock in CAGR over the next two or three years.

Sunil A D'Souza: Like I said, we are looking at bullish growth scenario for the economy and as that happens, we are looking at aggressive double digit volume growth and more importantly also share growth because across all the categories that we play in, we have got ample space both on category growth as well as shares.

Yes we have maintained that India is a growth opportunity and going forward, we will see growth in appliances coming aggressively but there has been a bit of softness in the last 12 months because of multitude of factors. Primarily, we have seen softness of demand is driven by stress on the rural economy. But going forward, if we see there is a good monsoon (which has been predicted), then it should relieve a bit of stress.

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That said, I think we have got an opportunity to grow in every single category at Whirlpool since we have both - products for the mass end which provide scale as well as those in the premium end which provide image and profitability. We have got opportunities. We will leverage that going forward to make sure we take full advantage of what we see going into the future.