

Pay Commission will provide a boost to the economy: Sunil A D'Souza, MD, Whirlpool

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In this interview with ET Now, Sunil A D'Souza, MD of Whirlpool BSE 0.89 % talks about the impact of good monsoon, Pay Commission on white good industry and more. Edited excerpts:

ET Now: How is the sector looking up in terms of demand outlook? Sunil A D'Souza: We had seen a bit of softness in calendar year 2015 because of multiple factors like the macros, the weather and failure of the monsoon. We did see demand coming back into the economy around last quarter of calendar year 2015 and that has continued in March and June quarter. We have seen healthy growth come back to the the business.

One reason for it is the macros looking up and the second thing is the early onset and slightly higher than normal summer. Urban demand is coming back slightly stronger than rural demand. A good monsoon is one of the critical pieces for easing the pressure on rural demand. Pay Commission should also put significant amount of cash into a sizable portion of the economy and that should hold the industry in good stead going forward.

ET Now: What kind of sector growth do you see because of monsoon and other triggers like Pay Commission etc.? Sunil A D'Souza: Good monsoons will not only have a major impact on the rural economy but will also have a cascading effect on the overall economy. Pay Commission's impact would also be interesting as Rs 1 lakh crore going into the hands of 10 million people is not a small amount. When this kind of cash comes into the economy, discretionary spends go up. So discretionary items like autos, real estate, two wheelers and consumer durables will be feeling the impact of this cash coming in.

From Whirlpool's point of view, the immediate cash that comes into the hands of government employees will provide a boost. The second piece is the multiplier effect which could be four to five times on the overall economy. From a corporate perspective, we see capacity utilisation going up, manufacturing efficiencies going up and then profitability going up.

ET Now: What do you think could be the margin outlook and what factors are you pricing in for that? Sunil A D'Souza: The question you are asking is in specific backdrop of all the commodity softness that we have seen for some time. The good news is that the commodity softness has continued for sometime but there is also a flip side to it. A lot of raw material that we use in our products is imported and therefore currency plays a critical role.

Also, the commodity benefit is available to all competitors. Everyone is looking at taking advantage and moving on. So the critical thing is how we play the commodity currency game and how we drive our product portfolio to provide value to the Indian consumer.