

## Whirlpool bullish on festive season; innovation & products key

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The market share in consumer durables is expected to shoot up by 20-30 percent during the festive season, says Sunil D'Souza, MD of Whirlpool, adding that the company is likely to outperform the market.

Rural demand, which has been soft for the last few quarters, is expected to rise with good monsoon. On the other hand, implementation of Pay Commission will be a stimulus for the urban market, D'Souza told CNBC-TV18. Whirlpool is focusing on improving margins while pushing for topline growth aggressively.

Innovation and strengthening product pipeline will aid this growth, he says. Below is the transcript of Sunil D'souza's interview to Latha Venkatesh and Sonia Shenoy on CNBC-TV18.

Sonia: The last time we spoke with you, you indicated that Onam was much better than what you have seen in the previous year. What about Ganesh Chaturthi, how have things looked for you and what kind of demand growth are you forecasting this festive season?

A: Before I talk about the festive season, I would just like to reiterate what I have said in the past. We have seen growth come back into the durable industry after some time and as a company, after declaring our June quarter results, we have had three successive quarters of double digit value growth and we see that trend continuing. India, given the penetration levels is also a highly seasonal market for consumer durables. Festival is a time to buy.

The initial festival kick-starts off with Onam and Ganesh Chaturthi and we see good trends going forward. As a company, we put out a fresh product pipeline and the focus is right now on making sure the execution in the market is right. So, when the consumer walks in, wanting to buy consumer durables, Whirlpool is right up front and centre. So, we see good trends going forward.

There are two big points, which will add to the festival demand this year and that will be critical. One is the rural demand, which was soft for quite some time given the fact that monsoons are forecasted to be normal this year, we can see signs of life coming back into the rural demand. So, we expect that to be bumping up with first time

buyers, etc. On the urban side, the government Pay Commission money which will start coming into the economy, that will be the other big stimulus on the urban side.

Given the fact that we have already seen replacement cycles move from about 8-9 years to 4-5 years, we see the extra cash coming into the urban market stimulating the urban demand, so, all in all, quite bullish about the festival season going forward.

Latha: Can you just repeat the numbers? How much do you expect the market to grow? How much do you expect Whirlpool's volumes to grow in FY17?

A: We do expect to see growth depending on the category between 20 and 30 percent during the festival season. I can say that at Whirlpool, we are aiming to outpace the industry growth and make sure we have share gains.

Latha: What about margins? Will they do better than previous times? What kind of a margin are you looking at? A: In the last quarter that we delivered, we had a 17 percent topline and 26 percent bottomline, both record revenue profits and cash. More importantly, we improved margins across the board, whether you look at operating income margin, which went up to 11.9 from 11.1 and profit before tax (PBT) also went up to 13.1 from 12.1 in the last quarter.

So, the trend looks good, we are aiming to continue to hold and strengthen margins while growing the topline aggressively. Anuj: Last year, you did earnings per share (EPS) of Rs 19.5 and in Q1 alone, more than half of that at Rs 9.6. For FY17 as a whole, what kind of EPS number do you think you can deliver and going forward, what kind of compounded annual growth rate (CAGR) do you think Whirlpool will deliver?

A: As we mentioned, the critical piece to growing EPS and profits is also making sure we focus on topline growth, both riding the industry as well as making sure we have got share gains. So, in the last quarter, we have grown EPS from Rs 7.6 to Rs 9.6 and we aim to continue this trend going forward.

Sonia: So, when you say topline growth, the last time you indicated to us that you plan to double you sales by 2020. If you look at your topline, it is around Rs 3,400-3,500 crore right now. In terms of revenues, what kind of upmove are you hoping to see? Are you looking to double revenues as well by 2020? So are you looking at something like Rs 7,000 crore?

A: Obviously, ultimately it is all about revenue irrespective of how much you grow the unit numbers, it all boils down to revenue and we are aiming to have aggressive revenue growth. Now, the critical piece for revenue growth going forward is for us the GDP growth is an important component. Currently, the government forecast of 7.5 percent plus bodes well for the industry because as the economy grows 7 percent plus, we see discretionary spends going up disproportionately in the consumer.

Now, when that happens, a lot of spends come into consumer durables. So, we feel we are in a sweet spot on that one. Now, to take advantage of that, we have to make sure that we not only ride industry, we also drive share growth. To drive share growth, we are looking at four important pillars. Number one is innovation, because the Indian consumer is a value conscious buyer and not only a price buyer. So, we have got to have the right features, benefits across the products.

So, as an organisation, we are driving innovation. Number two is the product pipeline. In our current portfolio, we are looking at strengthening both the mass end where we see more first time buyers coming in and we are strengthening the premium end using our global leverage because we see consumers upgrading and replacement demand going up.

Apart from that, in adjacencies which are about 10 percent of our business, we will grow at 2x and doubling that contribution to 20 percent going forward. These are in categories, as of now, we are looking at built-in kitchens, air purifiers, air conditioning and water. Third piece is making sure that all these products and innovation is executed well.

In go-to market, we have got opportunities both on expanding our reach and making sure we drive turnover on the shop floor. Last piece is we have got a very strong execution at the back end, so driving cost and manufacturing efficiencies. Most important, to do all this is people and we are continuously looking at both structure and capabilities to make sure that we have got a future ready organisation in place focusing on the critical capabilities of digital, digitisation, e-commerce, analytics, all that going forward.