



Key Highlights

- Hawkins is among the leading manufacturer of cookers having a 32% market share
- It operates in three business segments: Pressure cookers, Cookware, and Accessories, with their revenue share being 80%, 17% & 3%, respectively
- Hawkins has been exporting its products since 1974 under the brand name Futura, Contura, Hevibase, Big Boy, Miss Mary, and Ventura
- Apart from manufacturing and selling kitchenware, the company offers a fixed deposit scheme that allows investors the flexibility to invest their funds for a fixed tenure at a fixed interest rate
- Hawkins had 39 new product launches in FY22, and all its cookers have BIS certification and ISI stamp mark as mandated by the Government of India in 2021
- The Company declared a total dividend of ₹150 in FY22

Key Factors		FY22	FY21
Market Price (Average)	↓	₹5,110	₹5,913
Earnings Per Share (EPS)	↑	₹158.6	₹152.5
Return on Equity (RoE)	↓	43%	51%
Operating Margin	↓	13.1%	15.4%
Net Profit Margin	↓	8.7%	10.5%

Source: - Leveraged Growth

Indian Cooker Industry

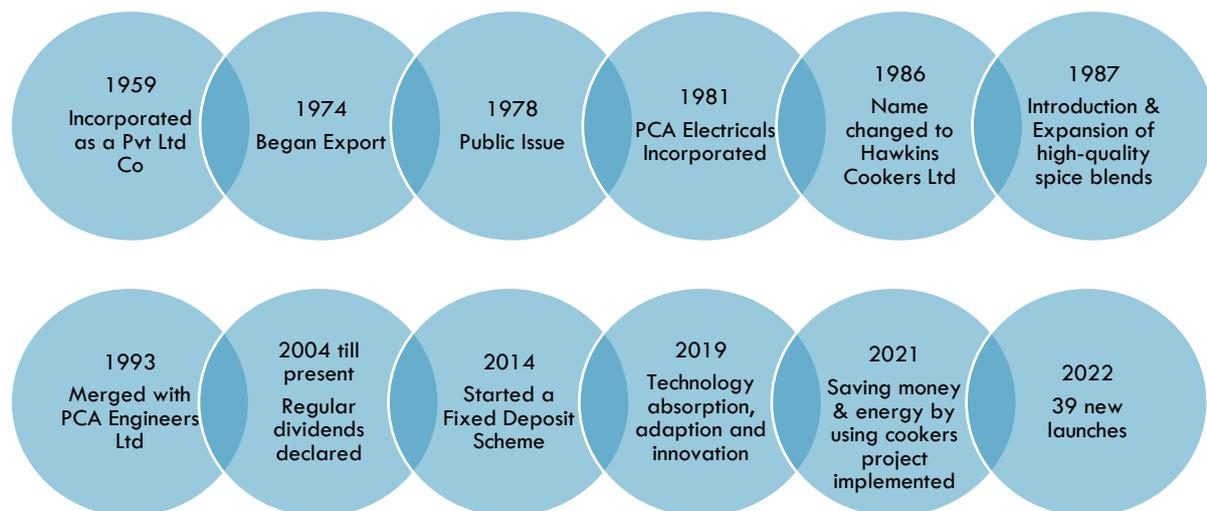
- The revenue in the Domestic Appliances market amounts to ₹5,681bn in 2022. It is projected that the Indian pressure cooker market will grow at 6.4% CAGR during FY21-FY27
- TTK Prestige and Hawkins constitute more than 50% of the cooker market share. Other players include Pigeon, Butterfly, Bajaj Nirlep, etc
- It is categorized under the Domestic Appliances Industry as consumer durables
- The demand for pressure cookers witnessed an upward growth trajectory owing to the demand from urban consumers who are inclined towards modern-day kitchenware due to a rise in disposable income

Industry Leader- Hawkins

Hawkins Cookers Limited (BOM: 508486), formerly known as Pressure Cookers and Appliances Ltd, operates in the Pressure Cookers and Cookware market. Hawkins Cooker Ltd is one of the leading manufacturers of pressure cookers with a market share of 32%, having a competitive industry structure with more than 100 models of cookers, both from organized and unorganized sector units. The company markets its product range under its brand name Hawkins in the domestic market. In contrast, the company has been exporting products to several other countries since 1974 under the brand name Futura, Contura, Hevibase, Miss Mary, Big Boy, and Ventura. Hawkins is well known for its quality control, careful selection of materials, and continuous product innovation through research and development, and millions of people using them thus trust it.

Journey

H.D. Vasudeva started Hawkins Cookers Ltd in 1959 as a Private Ltd Co. in collaboration with L.G. Hawkins of England. Later, it was publicly listed on the Bombay Stock Exchange in 1978. After twenty-five years of founding the Company, Mr. H. D. Vasudeva stepped down and handed over the management to his son Mr. Brahm Vasudeva as the Chairman & Managing Director. During his tenure, the Company set up two additional plants at Hoshiarpur and Jaunpur. In 1986, the company was named Hawkins Cookers Ltd, formerly known as Pressure Cookers & Appliances Ltd. It was merged with PCA Engineers Ltd in 1993, which was its associate company earlier. Hawkins has built its identity over these years due to its quality control and continuous product innovation through research and development, careful selection of materials, and the best manufacturing practices. Today, the company has two offices, three factories, and ~700 people working. It is the leading manufacturer of pressure cooker market in India and has exported its products to various countries since 1974. Hawkins has sold over 105mn pressure cookers and cookware worldwide.

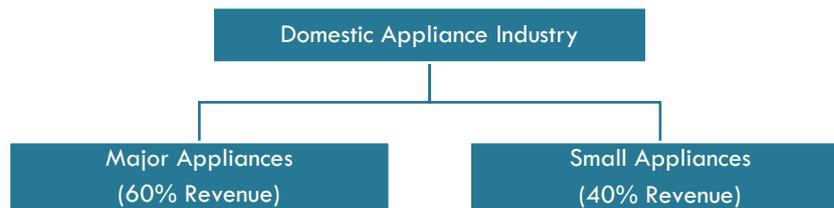


Source: - Leveraged Growth

Domestic Appliance Industry

Pressure cookers and other cookware are categorized as consumer durables in the domestic appliance industry. The revenue in the Domestic Appliances market amounts to ₹5681 bn in 2022, and the market is expected to grow by 5.7% CAGR during 2022-2027. The Domestic Appliances market covers appliances that are usually used in private households. The transition to more energy-efficient appliances and developing technology are shaping the Household Appliances market. The Indian home appliance industry is competitive and moderately consolidated, as few players have a high market share in the sector of major and minor appliances.

The Indian Pressure Cooker Market size is projected to be growing at a CAGR of 6.4% during FY21-27. Major players in the industry include Hawkins, Prestige, Pigeon, Butterfly, etc. This industry has already experienced considerable growth in recent years due to the growing consumer demand led by the strong growth of the urban population in the country, interest in modern-day kitchenware, and the rising hospitality sector.



Source: - Leveraged Growth

Major Appliances and Small Appliances are the two main segments of the Household Appliances market. The market's largest segment is the Major Appliances, with a volume of ₹3719bn in 2022. The Major Appliances segment includes cookers and ovens, refrigerators, washing machines, dishwashers, freezers, etc. It is the largest segment in the Household Appliances market, accounting for 60% of the revenue but only 16% of the volume sales. Despite stagnation in volume sales, the major appliances industry has seen sustained growth. This is due to a trend followed by consumers to purchase high-quality appliances that are both energy efficient and easy to use. The Small Appliance is the largest segment by sales which includes subsegments such as small kitchen appliances, toasters, irons, grills, Roasters, etc.

Business Model

Hawkins Cookers Ltd is involved in manufacturing, trading, and selling kitchenware, including Pressure Cookers and Cookware. The Company currently has two offices and three manufacturing units at Thane in Maharashtra, Hoshiarpur in Punjab, and Jaunpur in Uttar Pradesh. Hindalco is their most prominent supplier and has been ranked as the Aluminium Industry Leader for its sustainability performance. They source stainless steel from ISO 14001-compliant suppliers. The Company has an extensive product range consisting of Pressure Cookers, Cooker Accessories, Non-stick Cookware, and Satilon Cookware. Hawkins provides five years guarantee for all its pressure cookers.

Business Segments:

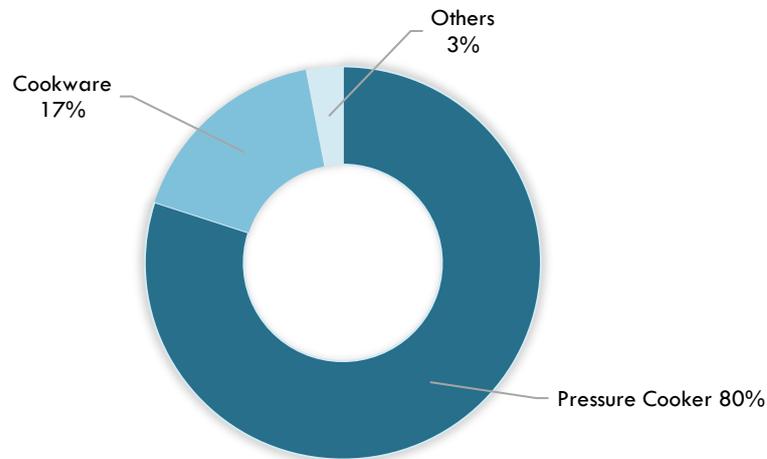
(i) Pressure Cookers- Hawkins is one of India's largest pressure cooker manufacturers and has been exporting its products to more than 40 countries since 1974. They manufacture 88 different models of Pressure Cookers of 13 different types. The first range of Pressure Cookers launched by Hawkins was the popular Hawkins Classic.

(ii) Cookware- Our Cookware is presented in four types namely Futura Hard Anodised and Nonstick, Hawkins Tri-Ply Stainless Steel, Hawkins Stainless Steel Sandwich Bottom Cookware, and Hawkins Die-Cast Cookware. Futura Cookware is offered in 2 types of cooking surfaces –Non-stick and Hard Anodized.

- Hawkins Tri-Ply Stainless Steel Cookware: This set was launched by the Company in 2019-20 with the vision of removing the disadvantages of sticking & burning faced by Non-stick users.
- Hawkins Stainless Steel T Pan: This was launched in 2018-19 and is ideal for making tea, coffee, soup, boiling water, and milk or for cooking instant noodles & reheating food.
- Die-cast Cookware: This technology allows for metal thickness exactly where needed, so our pan is strong and heats evenly, yet it is light and easy to handle.

(iii) Accessories- This range includes pressure cooker accessories, namely Grids, Separator, Futura Steaming Basket, Molds, Combi set, Idli Stands, etc.

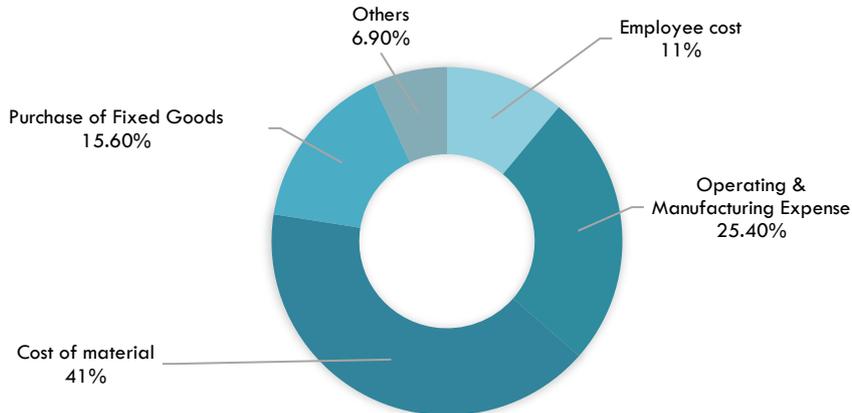
Revenue Segmentation



Source: - Leveraged Growth

Hawkins has sold over 105mn pressure cookers and cookware all over the world. Underwriters Laboratories, USA, an independent worldwide institution testing products for public safety, lists Hawkins’ product suite. In India, the government has mandated that all companies list the Cookers manufactured and sold with the Bureau of Indian Standards, commonly known as ISI, from February 1, 2021. All the pressure Cookers manufactured by Hawkins have certification of BIS and carry the ISI stamp mark too.

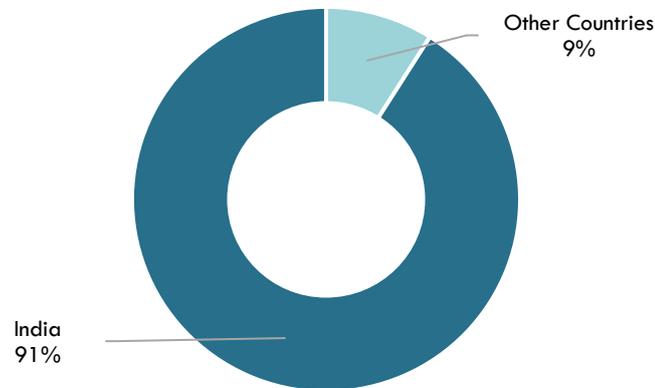
Cost Structure



Source: - Leveraged Growth

The Company operates globally, but most of its revenue is generated in India.

Geographical Revenue (FY22)



Source: - Leveraged Growth

SWOT Analysis

Strengths

Brand Reputation

It is a well-established brand and one of the leading players in the pressure cooker segment because of its excellent quality control and continuous product innovation. Hawkins has substantial brand equity in the domestic and global markets and continues to invest in brand building to generate higher demand.

Established Distribution Network

The Company has a well-developed distribution network ensuring a broad reach through its authorized dealers who sell and stock Hawkins' products. This is helping the Company build a strong brand, thereby supporting its revenue growth. They have improved the distribution among the dealers by 29% in FY22.

Strong Financial Risk Profile

The company's robust financial risk profile is reflected in its superior RoCE of 51.5% and strong cash generation ability, resulting in its net debt-free status and strong debt protection metrics. They also recorded the highest-ever sales and profit in FY22 owing to the increasing demand and rising economy.

Global Presence & Quality Products

In FY21, the domestic market contributed 91% to the total sales, while exports to various countries contributed the rest. They ensure high-quality, durable products that are tested for safety with the help of their internal technology advancement.

Weakness

Vulnerability in Raw Material Prices

Inflation in aluminum and stainless steel led to decreasing margins as they are the necessary raw materials for the pressure cooker and cookware industry. The Company's profitability remained exposed to volatility. It declined to 12.5% in FY22, over 14.4% in FY21, and 15.6% in FY20, primarily due to increasing raw material prices that were not ultimately passed on to end customers.

Intense Competition

The Company is exposed to intense competition in the industry from other branded players like Prestige and Pigeon, resulting in limited pricing power. Also, the Company requires considerable spending on advertising and trade discounts to sustain and build its market share.

Concentrated Product Portfolio

The Company's product portfolio is confined to the cooker and cookware segments and is vulnerable to economic downturns. Moreover, its growth prospects also remain constrained due to the limited market size of the pressure cooker market.

Opportunities

Integration

Hawkins can establish its retail stores, which might help them to develop good connections with the customers in the market. This can create high brand recall, crucial in getting customers to stick to your brand and buy the products repeatedly.

Market Depth

Development in rural areas may push Hawkins to expand more in such locations, and the rising economy, cost reduction measures, and improved R&D may help them to gain further control.

Threats

Competition

The industry is quite competitive, with both small-scale and organized sector units. The company might not be able to pass the increasing raw material costs to the consumers because it might lower the demand for Hawkins' products.

Sales Cannibalization

Hawkins is an umbrella company, and the presence of other brands under the same parent brand and in the same category might lead to the cannibalization of sales.

Differentiating Strategies

Product Innovation

Hawkins has stayed relevant to consumers by launching well-designed products with excellent quality for years. This has helped them build good brand equity in the mind of their consumers. They offer 88 different pressure cooker models in thirteen different types. They provide cookers with sizes ranging from 1.5 Litre to 22 Litre. The Company offers five years warranty for all its ovens.

Fixed Deposit Scheme of Hawkins

The Hawkins Cookers Company has introduced its fixed deposit scheme for people looking to invest in corporate fixed deposits. The Company offers a tenure ranging from 12 months to a maximum of 36 months, and the interest rates for this scheme vary between 7.5% to 8%. It is a grand deposit scheme to invest in as it offers attractive interest rates compared to many nationalized banks. Hawkins' fixed deposit scheme is a relatively safer investment option as the Company has received an MAA grade rating from credit rating agency ICRA limited.

Organic Growth

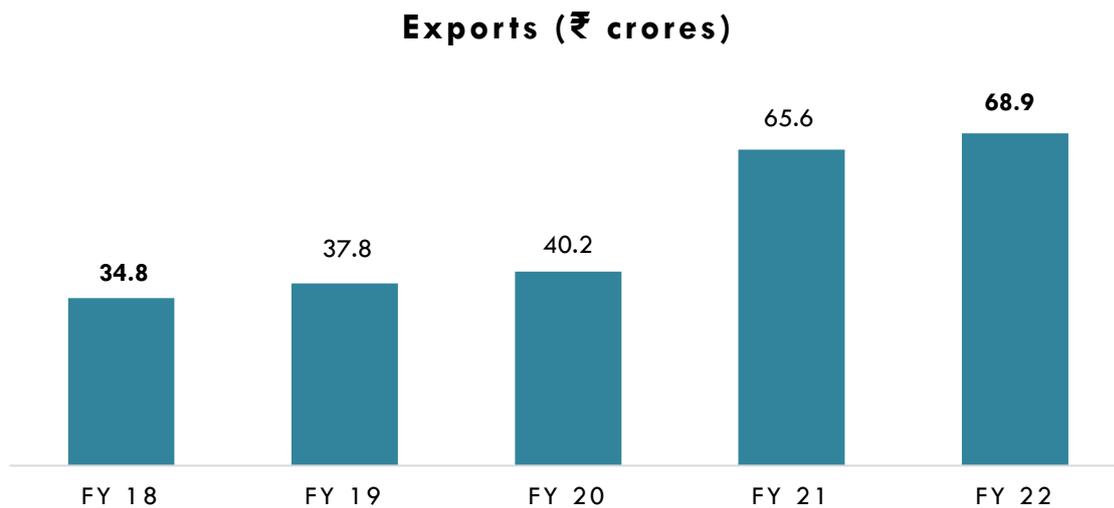
Hawkins deals with organic growth and has expanded without any acquisitions, removing the need for huge debt. Also, Hawkins focuses on developing in-house technology manufacturing rather than outsourcing it, which significantly reduces miscellaneous expenses compared to its competitor like TTK Prestige. The Company has relied upon internal generation, and no technology has been imported for the last three years. They have made efforts for technology absorption, adaptation, and innovation.

Public Service Campaigns

The company has led several campaigns in newspapers about the dangers of Indoor Air Pollution and how to use gas stoves and Pressure Cookers to avoid it, how rural households could improve their health, and how to save 25% on fuel costs with the potential of conserving precious fuel resources for India. They have also donated to District Red Cross Society, Akhand Jyoti for Cataract Surgeries, and the Prime Minister's National Relief Fund.

Growing Exports

Hawkins has been exporting its products to several countries since 1974 under the brand name Futura, Contura, Hevibase, Big Boy, Miss Mary, and Ventura. The Company's exports have been growing continuously among all its competitors due to the vast reach of the network across different continents worldwide.



Source: - Leveraged Growth

Michael Porter 5 Force Analysis

Capitalism reflects that competitors will emerge and try to take away your market share. Moats are a business's structural characteristics that create barriers for competitors to enter your turf.

1. Threat of New Entrants

Factories, Retail distribution networks, Service centers, and brand awareness are necessary to sell pressure cookers or other cookware products which are capital-intensive. This reflects that the threat of new entrants is low.

2. Bargaining Power of Suppliers

Hindalco is the major supplier of aluminum, thereby having unlimited pricing power. Another reason is the workers in the factories. The labor issues in their Jaunpur factory showed that they could create problems and cause hindrances to the supply. Thus, the suppliers have high bargaining power.

3. Bargaining Power of Buyers

Hawkins is known for its better product design, quality, and ideal consumer service, which has helped them build a better brand identity for all its customers. Also, due to developing economies and the rising disposable income of people, customers are willing to pay more for better-quality products. The company can build a moat by strengthening its brands; but only if the consumers are willing to pay a premium price. Hence the bargaining power of buyers doesn't have a more significant impact.

4. Threat of Substitutes

Microwave cookers might become a substitute for pressure cookers soon but not completely overpower it as cooking in a pressure cooker has various benefits like it retains most of the nutrients, saving time and energy, etc.

5. Rivalry among Existing Competitors

Hawkins and TTK Prestige are two major companies with solid brand identities comprising more than 50% market share selling branded cookers globally. Its in-house tech and product innovation make them unique, reducing its competitiveness with other players who have low & fragmented market shares.

Branding and Other Initiatives

Product Differentiation

The Brand Trust Report listed Hawkins as India's most trusted kitchen appliances brand in 2015. Each cooker made by Hawkins has an inside-fitting lid feature which is inherently safer than conventional pressure cookers. These cookers are pressure-locked for safety, so the steam pressure has to fall to a safe level for it to open.

R&D Efforts

The Company carries out regular R&D efforts concerning materials, machines, processes, and designs of components and products to improve the functioning and durability of products, produce significant fuel economies, and enhance the safety and convenience of the users of the products.

Advertising for Revenue Generation

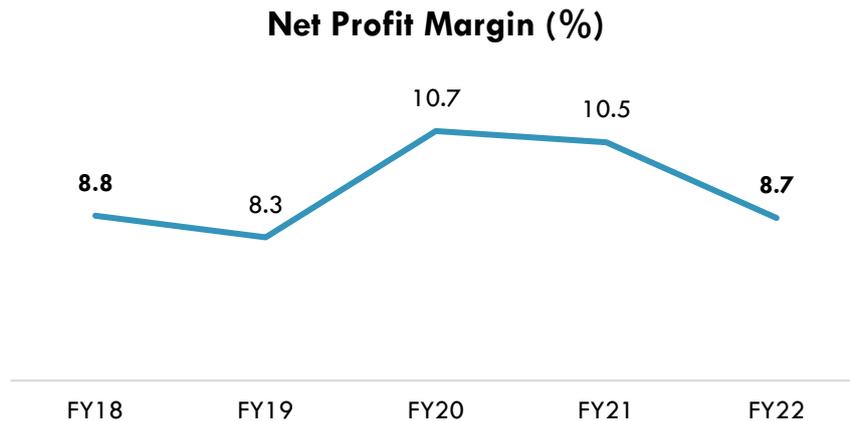
Hawkins has supplemented manufacturing and design excellence with its advertising and distribution strength. The company has led several educational campaigns in newspapers about the dangers of Indoor Air Pollution and how to use gas stoves and Pressure Cookers to avoid it, how rural households could improve their health, and how to save 25% on fuel costs with the potential of conserving precious fuel resources for India by using pressure cookers. This awareness has also increased the demand for pressure cookers.

Advertisement and sales expenses as a percentage of net sales have remained at 4-5% over the last ten years. The management in 2015-16 highlighted the effectiveness of advertisement campaigns in increasing sales growth and creating brand identity. Moreover, the Company did not increase the price of products along with effective advertising, which led to a shift in demand for Hawkins' pressure cookers & cookware.

Financial Analysis

Top and Bottom-Line Growth

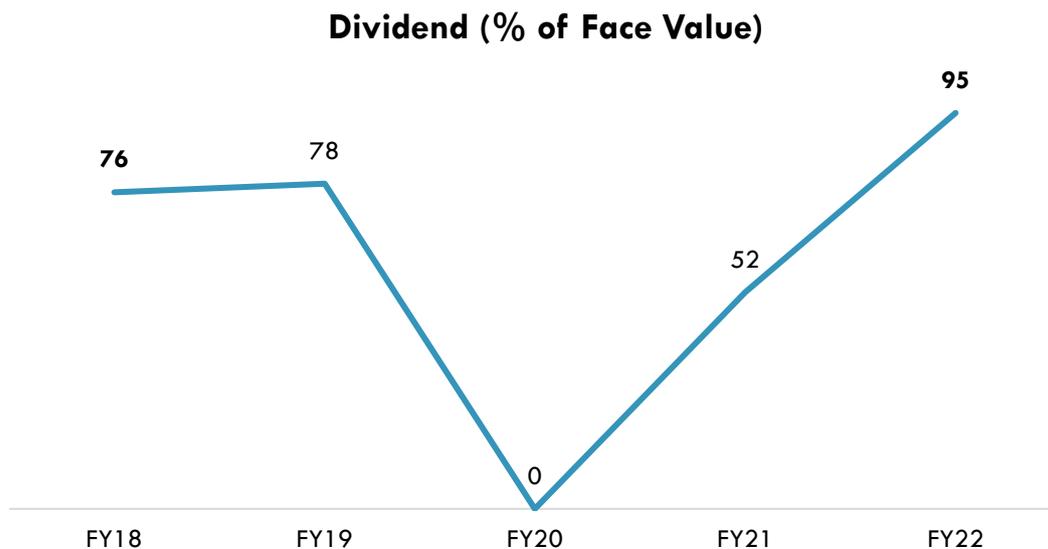
Hawkins Cookers Ltd has recorded impressive top-line and bottom-line YoY growth. The Revenue for the Company rose to ₹958cr, the highest-ever sales recorded for the Company, with a change of 24.7% from the previous year. This increase is because Hawkins is trying to aim toward the rural areas and gain market share by innovating new products and increasing the distribution network. The PAT has increased to ₹83.9cr in FY22, growing 4% from FY21. This growth is led by consumers' increasing demand for better durable products and rising disposable income.



Source: - Leveraged Growth

Increase in Dividend Payout Ratio

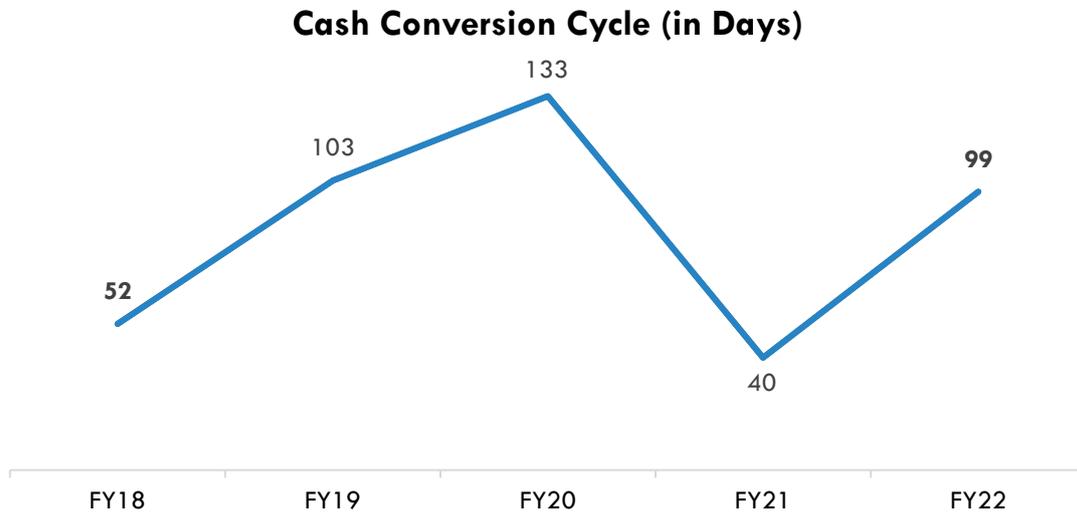
Hawkins has been paying out Dividends regularly since 2004, which are declared out of the Company's Profit after Tax. In FY20, the company retained all of its net profit and did not declare any dividend due to uncertainties of Covid, thereby increasing its capital. The dividend payout ratio stands at 95% in FY22, rising from 52% in FY21. It announced a dividend of ₹150/share in FY22- a final dividend of ₹60 and an interim dividend of ₹90.



Source: - Leveraged Growth

Cash Conversion Cycle

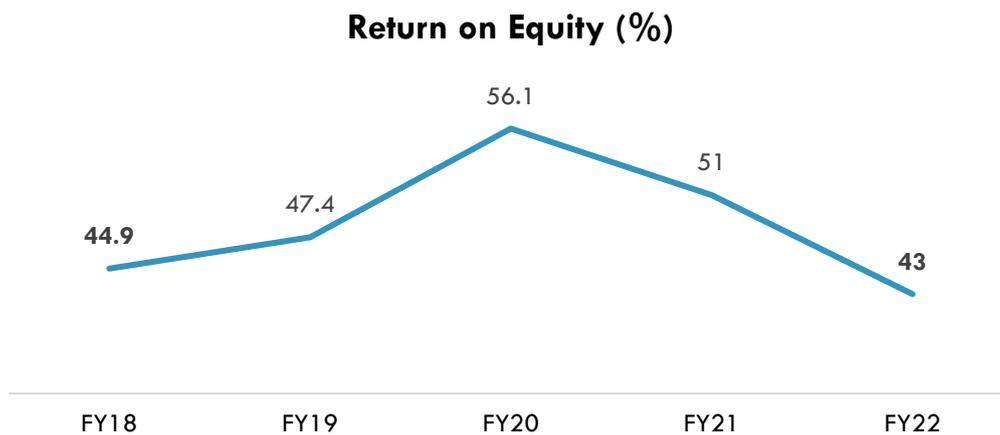
The cash conversion cycle has been fluctuating over the past five years. Despite the Company's firm credit policy, the trade receivables have been increasing. The cycle has increased to 99 days in FY22 from 40 days in FY21. This is due to the increase in inventory levels and working capital requirements for new product development.



Source: - Leveraged Growth

Return on Equity

The Company's RoE had an upward growth and raised to 56.1% in FY20 but declined post covid due to decreasing asset turnover. The RoE came down to 43% in FY22 from 51% in FY21. The hampered retail sector during covid brought down both RoE & RoCE.



Source: - Leveraged Growth

Environmental, Social & Governance

Environmental

Energy Conservation & Resource Utilization

The Company has been concentrating on conserving forests, soil, and water, saving energy & time by innovating energy-efficient and environmentally friendly products that will help make a real difference. They ensure that the manufacturing processes and technologies required to develop their products are resource efficient and sustainable by utilizing natural and artificial resources optimally and responsibly.

The Company has been continuing its education campaign through a public service campaign in newspapers about the dangers of Indoor Air Pollution. It educates on how to use the Pressure Cooker to mitigate this issue and how to save 25% on fuel costs using the Pressure Cooker, with the potential of conserving precious fuel resources for India.

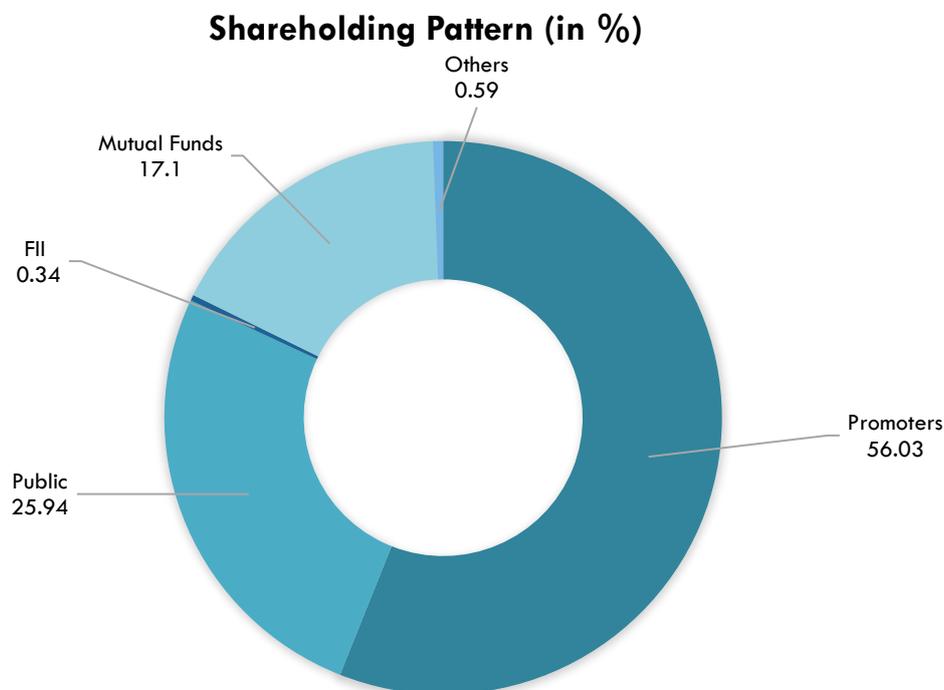
Social

The Company focuses on Corporate Social Responsibility (CSR) by developing rural area practices and has been working on a project called Improving the Health of Women and Children and Saving Energy and Money by using Pressure Cookers.

Additionally, the Company donated to the Akhand Jyoti Eye Hospital, the Red Cross Society, Hoshiarpur, and the Prime Minister's National Relief Fund, spending the entire amount of ₹192.47 lakhs required to be spent on CSR in the year 2021-22.

Governance

The Company has 11 board members with seven independent directors and two women. It complies with the SEBI Listing Obligations & Disclosure Requirement (LODR) Regulations, 2015. The promoters pledge no shares, and their total holding is 56%. Hawkins' long-term success in the business requires considerate and ethical treatment of customers, suppliers, employees, governmental and regulatory authorities, and shareholders, for which the Company has adopted a Code of Conduct for the management.



Source: - Leveraged Growth

Risk Analysis

Operational Risk

Major raw materials used in the manufacturing of cookers & other cookware are aluminum & steel. Increasing prices of these raw materials like are a cause for concern. The management diligently watches the increasing trends and seeks effective cost-control measures with the help of internal integration, absorption, and technology adoption. The company does not have any material assets in the form of shares, mutual funds, etc., removing the price risk.

Currency Risk

Most of the company's revenue is generated from India, so the remaining 9% of the export revenue doesn't have a greater currency risk impact. Moreover, the Company has limited exposure to foreign currency fluctuation because of the advances received from foreign customers or Letters of Credit at sight. The production & delivery of goods is closely monitored to mitigate the foreign currency risk. The Company didn't undertake activities related to hedging foreign exchange.

Credit Risk

Trade receivables and investments in the form of term deposits with the banks are the main reason behind their credit risk. However, the credit risk exposure towards trade receivables is very low as they receive advance payment on most of their sales.

Liquidity Risk

Hawkins maintains sufficient cash and cash equivalents in the form of fixed interest rate-bearing term deposits. The Company generates good cash flow from operations to service its requirements, claims an adequate amount of committed credit, and uses overdraft facilities from banks.

Covid-19 Impact

COVID-19 has hit businesses and organizations globally, affecting the markets and the economy. It has hampered the kitchen appliances industry, from low production efficiency, disrupting the supply chain leading to difficulties in distribution, to reduced consumption, demand, and utilization of products and services. The pandemic created uncertainties about the consumer's disposable income leading to liquidity issues, thereby impacting the operations of Hawkins at the end of FY20. However, the resumed operations of the e-commerce platform in the lockdown period and the re-opening of retail sectors led the Indian pressure cooker market back to its growth trajectory.

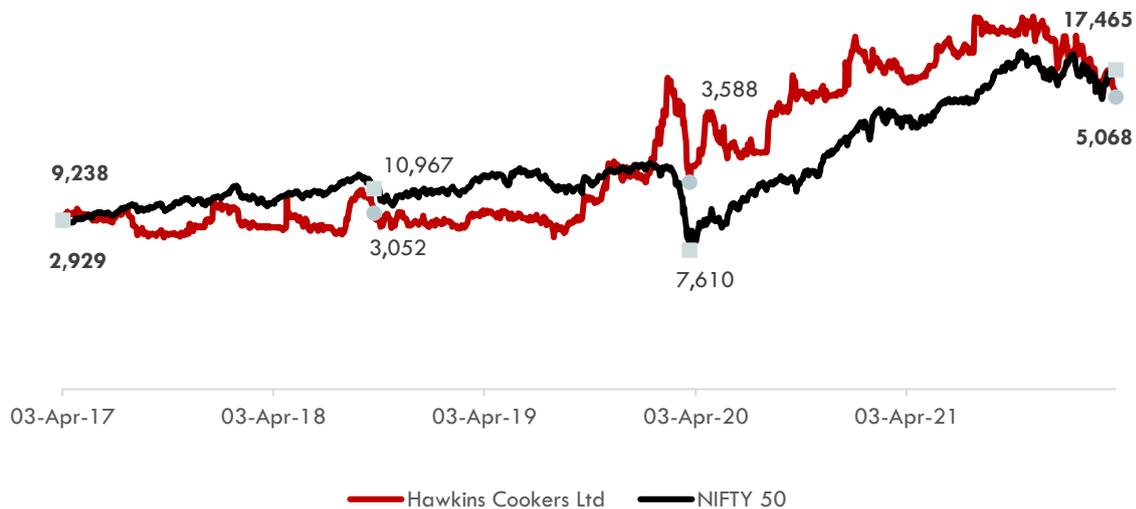
Despite the impact of Covid-19, Hawkins has reported the highest-ever sales of ₹768cr in FY21 & ₹958cr in FY22. They also reported the highest-ever profits of ₹108cr in FY21 and ₹112cr in FY22. The Company had tightened its credit policy during Covid, reducing the Debtor Turnover Days.

The End Note

Hawkins intends to support the R&D Centre and the Test Kitchen to meet the corporate objectives for quality improvement, cost reduction, the introduction of new products, and consumer service and support. Inflation in the economy can impact the purchasing power of customers. Hence, the Company plans to seek effective cost-control measures and adjust prices as needed. Wider use of technology and innovations would be required to gain further control over the market share.

Keeping these factors in mind, will Hawkins be able to increase its exports and market share?

Hawkins Cookers Ltd Vs NIFTY 50



Source: - Leveraged Growth

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