

June 28, 2022

## Hawkins Cookers Limited: Rating reaffirmed; Migration of the rating on the medium term rating scale to the long-term rating scale

### Summary of rating action

| Instrument*                         | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action   |
|-------------------------------------|-----------------------------------|----------------------------------|---|
| Long-term Fund-based Facilities     | 17.00                             | 17.00                            | [ICRA]AA- (Stable); Reaffirmed                                |
| Long-term Non-fund Based Facilities | 5.00                              | 5.00                             | [ICRA]AA- (Stable); Reaffirmed                                |
| Fixed Deposit                       | 62.17                             | 62.17                            | [ICRA]AA- (Stable); Reaffirmed and migrated from MAA (Stable) |
| <b>Total</b>                        | <b>84.17</b>                      | <b>84.17</b>                     |   |

\*Instrument details are provided in Annexure-1

### Rationale

The rating reaffirmation continues to factor in Hawkins Cookers Limited's (Hawkins) position as one of the leading players in the pressure cooker industry with a strong brand franchise and vast experience of its management. Further, Hawkins' strong, pan India distribution network ensures a wide reach and mitigates any geographical concentration risk. The company's robust financial risk profile is reflected in its superior RoCE and strong cash generation ability, resulting in its net debt free status and strong debt protection metrics. The company reported healthy revenue growth of 25% in FY2022 owing to expansion in sales volume, driven by strong brand recall as well as higher realisations.

The ratings, however, are constrained by the vulnerability of the company's profitability to volatility in raw material prices and intense competition from other leading national and regional players as well as from the unorganised sector. Hawkins has witnessed decline in operating margins over the last two fiscals to 12.5% in FY2022 (over 14.4% last fiscal year) from 15.6% in FY2020 owing to high raw material prices, which were not fully passed on to its clients. The ratings are also constrained by the company's relatively concentrated product portfolio and limited market size. Its ability to diversify its products into new categories to reduce its concentration on a single product category remains a key rating monitorable.

ICRA's Stable outlook factors in the company's strong brand equity and leadership position in the pressure cooker and cookware market and a strong financial risk profile, as reflected in its healthy cash generation from operations, strong debt protection metrics and a comfortable liquidity position.

In compliance with the circular (SEBI/HO/MIRSD/MIRSD\_CRADT/P/CIR/2021/594) issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent circular (SEBI/HO/MIRSD/MIRSD\_CRADT/P/CIR/2022/43) of April 1, 2022, for standardising the rating scales used by credit rating agencies, ICRA has discontinued the medium term rating scale, which was used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA has migrated the rating currently outstanding for Hawkins' fixed deposit programme from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another and not as a reflection of a change in the credit risk of the fixed deposit programme.

## Key rating drivers and their description

### Credit strengths

**Established brand as leading player in the pressure cooker segment** – Incorporated in 1959, the company is one of the leading players in the pressure cooker and cookware segment with a strong brand equity in the domestic market, built over decades. The company continues to invest in brand building and generating higher demand.

**Promoters' experience of three decades along with professional management team** – Hawkins is backed by the sound experience of its executive management in the industry for nearly three decades, first under the guidance of Late H.D. Vasudeva, and then Late Brahm Vasudeva. Following the demise of the former Chairman, Mr. Brahm Vasudeva, Mr. Subhadip Dutta Choudhury has been appointed as the Chairman of the board of directors and the Managing Director, designated as the Chief Executive Officer, with effect from August 6, 2020. He has been associated with Hawkins for three decades.

**Strong financial risk profile** – The company has a strong financial risk profile, reflected in its RoCE of 51.5%, healthy cash generation from operations in FY2022 with a net debt-free position. The company has a comfortable capital structure as reflected by a gearing of 0.2 time as on March 31, 2022 (0.2 time as on March 31, 2021). The coverage indicators remain healthy, as reflected by net cash accruals/total debt of 100% (117% in FY2021) and leverage (total debt/OPBDITA) of 0.4 time (0.3 time in FY2021) in FY2022. ICRA notes that the expansion in the net worth has been relatively limited by stable pay out of dividends over the years.

**Established distribution network with pan India presence** – The company has an established and growing pan India distribution network, ensuring a wide reach. The same helped the company build a strong brand, supporting its revenue growth. In FY2022, the domestic market contributed 93% to total sales with the balance contributed by exports.

### Credit challenges

**Vulnerability to raw material prices** – Aluminium and stainless steel are the key raw materials for the pressure cooker and cookware industry. The company's profitability remains exposed to volatility in raw material prices, chiefly aluminium, which have exhibited fluctuations in the past. The company's profitability decreased to 12.5% in FY2022 over 14.4% in FY2021 and 15.6% in FY2020 primarily due to a sharp increase in aluminium and stainless steel prices, which were not fully passed on to end-customers.

**Exposed to intense competition** – The company is exposed to intense competition in the industry from other branded players, resulting in limited pricing power. Further, the company requires considerable spends on advertising and trade discounts to sustain and build its market share.

**Relatively concentrated product portfolio and limited market size** – The company's product portfolio remains relatively concentrated towards the cooker and cookware segments and is vulnerable to any economic downturns. Further, its overall growth prospects remain constrained by the limited market size of the pressure cooker segment.

### Liquidity position: Strong

The company enjoys a **strong** liquidity position backed by healthy cash generation from its operations and limited working capital requirements in business. Unencumbered cash and liquid investments of Rs. 60.0 crore as on March 31, 2022, coupled with largely unutilised working capital limits, provide a strong liquidity cushion. ICRA expects Hawkins to maintain a comfortable liquidity commensurate with its business requirements and financial obligations.

## Rating Sensitivities

**Positive factors** – ICRA could upgrade the ratings if there is a significant improvement in its scale of operations with improved product diversification into new categories while maintaining its financial profile.

**Negative factors** – Pressure on the ratings could arise in case of a significantly weak operating performance on account of any sharp demand contraction. Any significant pressure on liquidity could be considered a negative trigger as well.

## Analytical Approach

| Analytical Approach             | Comments  |
|---------------------------------|---|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a>                         |
| Parent/Group support            | Not applicable  |
| Consolidation/Standalone        | The ratings are based on the standalone financial statements of the issuer. |

## About the Company

Hawkins Cookers Limited was incorporated in 1959 as Pressure Cookers and Appliances Pvt. Ltd. under the guidance of Late H.D. Vasudeva, and then led for over 50 years by the Late Brahm Vasudeva. Hawkins is one of the leading manufacturers of pressure cookers in India, with the domestic market driving around 93% of its overall sales and the overseas markets the rest. The company's pressure cookers and cookware are marketed under its flagship brand, Hawkins, as well as Futura and Miss Mary. Cookware is sold under the Futura and Hawkins brands. The company has 16 models of stainless steel pressure cookers and 75 models of aluminium pressure cookers. Hawkins Classic is the largest selling and most popular range of pressure cookers for the company. Hawkins Contura, another of its sub-brands, has rounded sides for better visibility, easy stirring and removal of food. Hawkins Big Boy pressure cooker is designed to cook a large quantity of food, mostly useful for hotels and canteens. Miss Mary is the economical range of pressure cooker offered by Hawkins. Futura pressure cookers are made of stainless steel as well as hard anodised aluminium, which make them energy efficient and aesthetically pleasing. Futura cookware offers various hard anodised and non-stick cookware in different sizes to meet consumer requirements. The company has added Hawkins Tri-Ply stainless steel frying pans, deep fry pans and flat pans in its range of stainless-steel cookware. It has also successfully diversified into pressure die cast aluminium and cast-iron cookware. Die-cast technology allows for more precise engineering of metal thicknesses to provide metal where it is most needed for even heating, superior strength and more optimal metal consumption.

The company has two offices in Mumbai and a factory each in Thane (Maharashtra), Jaunpur (Uttar Pradesh) and Hoshiarpur (Punjab). While its pressure cookers and cookware are both manufactured at the company's plants, the latter are still mainly traded. The company has a strong distribution network, supported by ~8,000 dealers.

## Key financial indicators (audited)

|  | FY2021 | FY2022 |
|--|--------|--------|
| Operating income (Rs. crore)                         | 768.5  | 958.0  |
| PAT (Rs. crore)                                      | 80.6   | 83.9   |
| OPBDIT/OI  | 14.4%  | 12.5%  |
| PAT/OI   | 10.5%  | 8.8%   |
| Total outside liabilities/Tangible net worth (times) | 1.2    | 0.9    |
| Total debt/OPBDIT (times)                            | 0.3    | 0.4    |
| Interest coverage (times)                            | 23.4   | 19.8   |

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

| Instrument |                                     | Current rating (FY2023) |                          |   | Chronology of Rating History for the past 3 years |                         |                         |                         |
|------------|-------------------------------------|-------------------------|--------------------------|---|---|-------------------------|-------------------------|-------------------------|
|            |                                     | Type                    | Amount rated (Rs. crore) | Amount outstanding as of Mar 31, 2022 (Rs. crore) | Date & rating in FY2023                           | Date & rating in FY2022 | Date & rating in FY2021 | Date & rating in FY2020 |
|            |                                     |                         |                          |   | June 28, 2022                                     | July 23, 2021           | August 5, 2020          | July 30, 2019           |
| 1          | Long term fund based facilities     | Long term               | 17.00                    | --  | [ICRA]AA-(Stable)                                 | [ICRA]AA-(Stable)       | [ICRA]AA-(Stable)       | [ICRA]AA-(Stable)       |
| 2          | Long term non-fund based facilities | Long term               | 5.00                     | --  | [ICRA]AA-(Stable)                                 | [ICRA]AA-(Stable)       | [ICRA]AA-(Stable)       | [ICRA]AA-(Stable)       |
| 3          | Fixed Deposit                       | Long term               | 62.17                    | --  | [ICRA]AA-(Stable) <sup>1</sup>                    | MAA (Stable)            | MAA (Stable)            | MAA (Stable)            |

## Complexity level of the rated instruments

| Instrument                          | Complexity Indicator |
|-------------------------------------|----------------------|
| Long term fund based facilities     | Simple               |
| Long term non-fund based facilities | Very Simple          |
| Fixed Deposit                       | Very Simple          |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.in](http://www.icra.in)

<sup>1</sup> ICRA has migrated the rating currently outstanding for Hawkins' fixed deposit programme from the medium-term rating scale to the long-term rating scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another and not as a reflection of a change in the credit risk of the fixed deposit programme.

## Annexure I: Instrument details

| ISIN | Instrument Name                     | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|-------------------------------------|------------------|-------------|----------|--------------------------|----------------------------|
| NA   | Long term fund based facilities     | -                | NA          | -        | 17.00                    | [ICRA]AA- (Stable)         |
| NA   | Long term non-fund based facilities | -                | NA          | -        | 5.00                     | [ICRA]AA- (Stable)         |
| NA   | Fixed Deposit                       | -                | NA          | -        | 62.17                    | [ICRA]AA- (Stable)         |

**Source:** Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

## Annexure II: List of entities considered for consolidated analysis – Not applicable

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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