July 23, 2021

Hawkins Cookers Limited: Ratings reaffirmed

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 (FD) programme	48.88	48.88	MAA (Stable); Reaffirmed
Fixed deposit (FD) programme	-	13.29	MAA (Stable); Assigned
Total	**70.88**	**84.17**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings 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 the professional management. Further, Hawkins' strong pan-India distribution network has ensured 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. Despite adverse effects of the COVID-19 pandemic in Q1 FY2021, the company recorded a smart recovery over the rest of the quarters, leading to a healthy revenue growth of 14% in FY2021. The same is largely attributable to expansion in sales volume, driven by a strong brand recall and a rise in cooking at home (during the pandemic-induced lockdown).

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. The ratings are also constrained by the company's relatively concentrated product portfolio and limited market size. The company's ability to diversify its products into new categories to reduce its concentration on a single product remains a key rating monitorable.

ICRA's Stable outlook factors in the company's strong brand equity and leadership position in the pressure cooker 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.

Key rating drivers and their description

Credit strengths

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

Promoters' experience of nearly three decades and professional management setup – Hawkins is backed by the sound experience of its executive management in the industry for nearly three decades with the requisite professional setup, first under the guidance of Late H.D. Vasudeva, and then the Late Mr. 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 Cookers Limited for nearly three decades.

Strong financial risk profile – The company has a strong financial risk profile, reflected in its RoCE of 58.2%, healthy cash generation from operations in FY2021 with a net debt-free position. The company has a comfortable capital structure as reflected by a gearing of 0.2 times as on March 31, 2021 (0.3 times as on March 31, 2020). The coverage indicators remain healthy, as reflected by net cash accruals/total debt of 117% (67% in FY2020) and leverage (total debt/OPBDITA) of 0.3 times (0.4 times in FY2020) in FY2021. ICRA, however, 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 FY2021, the domestic market contributed 91% to the total sales with the balance contributed by exports.

Credit challenges

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 market share.

Vulnerability to raw material prices – Aluminium and stainless steel are the key raw materials for the pressure cooker industry and cookware industry. The company's profitability remains exposed to volatility in raw material prices, chiefly aluminium, prices of which have exhibited fluctuations in the past. The company's profitability decreased to 14.4% in FY2021 compared to 15.6% in FY2020 primarily due to a sharp increase in aluminium and stainless-steel prices in H2 FY2021.

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. In FY2021, pressure cookers contributed around 75% to the total sales, cookware about 21% and the balance was contributed by others and spare parts sales. 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 in FY2021, supported by low capital intensity of its business and judicious working capital management. Unencumbered cash and liquid investments of Rs. 171.2 crore as on March 31, 2021, 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	Corporate Credit Rating Methodology
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 (Hawkins) 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 Mr. Brahm Vasudeva. Hawkins is one of the leading manufacturers of pressure cookers in India, with the domestic market driving around 91% of its overall sales and the overseas markets the rest. The company's pressure cookers 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 83 models of aluminium and stainless-steel pressure cookers in 13 different varieties. 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 for a number of years. Futura cookware offers various hard anodised and non-stick cookware in different sizes to meet consumer requirements. The company has recently added Hawkins Tri-Ply Stainless Steel frying-pans, deep fry pans and tava in its range of stainless steel cookware products as well as successfully diversified into pressure die cast aluminium cookware. The company has two offices in Mumbai and a factory each in Thane (Maharashtra), Jaunpur (Uttar Pradesh) and Hoshiarpur (Punjab). While pressure cookers are manufactured at the company's plants, cookware now increasingly manufactured in-house, are still mainly traded. The company has a strong distribution network, supported by ~6,500 dealers.

Key financial indicators (audited)

	FY2020	FY2021
Operating Income (Rs. crore)	673.9	768.5
PAT (Rs. crore)	72.5	80.6
OPBDIT/OI (%)	15.6%	14.4%
PAT/OI (%)	10.8%	10.5%
Total Outside Liabilities/Tangible Net Worth (times)	1.1	1.2
Total Debt/OPBDIT (times)	0.4	0.3
Interest Coverage (times)	26.4	23.4

Source: Company, PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation. All calculations are as per ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022) Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2021 (Rs. crore)	Date & Rating in July 23, 2021	Chronology of Rating History for the past 3 years: Date & Rating in FY2021 August 5, 2020	Date & Rating in FY2020 July 30, 2019	Date & Rating in FY2019 August 8, 2018
1	Long term fund based facilities	Long term	17.00	--	[ICRA]AA- (Stable); Reaffirmed	[ICRA]AA- (Stable); Reaffirmed	[ICRA]AA- (Stable); Reaffirmed	[ICRA]AA- (Stable); Reaffirmed
2	Long term non-fund based facilities	Long term	5.00	--	[ICRA]AA- (Stable); Reaffirmed	[ICRA]AA- (Stable); Reaffirmed	[ICRA]AA- (Stable); Reaffirmed	[ICRA]AA- (Stable); Reaffirmed
3	Fixed deposit programme	Medium term	48.88	--	MAA (Stable); Reaffirmed	MAA (Stable); Reaffirmed	MAA (Stable); Reaffirmed	MAA (Stable); Reaffirmed
4	Fixed deposit programme	Medium term	13.29	--	MAA (Stable); Assigned	-	-	-

&= Under watch with developing implications

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 programme	Very Simple
Fixed deposit programme	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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long term fund based facilities	-	NA	-	17.00	[ICRA]AA- (Stable); Reaffirmed
NA	Long term non-fund based facilities	-	NA	-	5.00	[ICRA]AA- (Stable); Reaffirmed
NA	Fixed deposit programme	-	NA	-	48.88	MAA (Stable); Reaffirmed
NA	Fixed deposit programme	-	NA	-	13.69	MAA (Stable); Assigned

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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About ICRA Limited:

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.

For more information, visit www.icra.in

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