

August 02, 2023

Hawkins Cookers Limited: Rating reaffirmed, rated amount enhanced for fixed-deposit programme

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	63.51	78.14	[ICRA]AA-(Stable); reaffirmed/ assigned for enhanced limits
Total	85.51	100.14	

*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 rating is, however, 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 revenues have also witnessed volatility in the last five fiscals, with growth being impacted by a high inflationary regime, in turn the purchasing power of the customer too. The growth rate moderated to 5% in FY2023 against double-digit in earlier two fiscals. Given the general sticky inflation levels, revenue expansion in the current fiscal will remain a key monitorable. However, with prices of its key raw material viz., aluminium cooling off from its peaks and witnessing a decline since H2 FY2023, the company reported improved operating margins to 13.5% in FY2023 compared to 12.5% in FY2022. 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, 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 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 the Late H.D. Vasudeva, and then the 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 more than three decades.

Strong financial risk profile – The company has a strong financial risk profile, reflected in its RoCE of 46.5%, healthy cash generation from operations in FY2023 with a net debt-free position. The company had a comfortable capital structure, reflected in its gearing of 0.2 times as on March 31, 2023 (0.2 times as on March 31, 2022). The coverage indicators remain healthy, with net cash accruals/total debt of 166% (101% in FY2022) and leverage (total debt/OPBDITA) of 0.3 times (0.4 times in FY2022) in FY2023. 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 FY2023, the domestic market contributed 94% 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. However, the company's operating margins improved to 13.5% in FY2023 from 12.5% in FY2022, primarily due to a decrease in aluminium and stainless-steel prices.

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. The growth rate is also impacted by generally inflationary regime impacting the purchasing power of the customer, and in turn the demand. The same is also visible in growth rate sharply moderating in FY2023 compared to earlier two fiscals.

Environmental and Social Risks

Environmental considerations: Environmental risks for industry players include handling hazardous waste materials and waste disposal practices. These standards expose Hawkins to the risk of environmental costs. However, the company ensures that E-waste and hazardous waste are disposed through authorised agencies. Aluminium scrap is recycled. Under the Cashback scheme, consumers can get a rebate on purchase of new Hawkins products on return of old pots and pans. The company's primary product is the pressure cooker, which helps to reduce fuel consumption, indoor air pollution, and the use of fossil fuels, while helping to save trees. The company also ensures compliance at all levels with prevailing pollution control norms and incentivises its suppliers to be environmentally compliant with air pollution control device systems. All its three operational factories are also compliant with pollution control requirements, which supports business continuity.

Social considerations: Hawkins is exposed to social risks, including implementation of labour rights and maintaining corporate governance. The company ensures worker safety, and all its factories have implemented occupational health and safety management system. In addition, aluminium and stainless steel used by Hawkins continues to be sourced from international organisations for standardisation-compliant suppliers.

Liquidity position: Strong

The company has a strong liquidity position, backed by healthy cash generation from its operations and limited working capital requirements in the business. Unencumbered cash and liquid investments of Rs. 94.9 crore as on March 31, 2023, 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 rating, if there is any significant improvement in its scale of operations with improved product diversification into new categories, while maintaining its strong financial profile.

Negative factors – Pressure on the rating 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 rating is 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 the 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 94% of its overall sales and the balance by the overseas markets. 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 17 models of stainless-steel pressure cookers and 87 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 cookers 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 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 is still mainly traded. The company has a strong distribution network, supported by ~8,400 dealers.

Key financial indicators (audited)

	FY2022	FY2023
Operating income (Rs. crore)	958.0	1005.8
PAT (Rs. crore)	83.9	94.8
OPBDIT/OI (%)	12.5%	13.5%
PAT/OI (%)	8.8%	9.4%
Total outside liabilities/Tangible net worth (times)	0.9	0.7
Total debt/OPBDIT (times)	0.4	0.3
Interest coverage (times)	19.8	27.8

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

Current rating (FY2024)					Chronology of rating history for the past 3 years			
Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				August 2, 2023	August 1, 2022	June 28, 2022	July 23, 2021	August 5, 2020
1 Fund-based facilities	Long-Term	17.00	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
2 Non-fund-based facilities	Long-Term	5.00	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
3 Fixed Deposit	Long-Term	78.14	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable) ¹	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: [Click Here](#)

¹ 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 / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term fund based facilities	NA	NA	NA	17.00	[ICRA]AA-(Stable)
NA	Long term non-fund-based facilities	NA	NA	NA	5.00	[ICRA]AA-(Stable)
NA	Fixed Deposit	NA	NA	NA	78.14	[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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About ICRA Limited:

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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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