August 05, 2020

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	23.67	23.67	MAA (Stable); Reaffirmed
Fixed deposit (FD) programme	0.00	25.21	MAA (Stable); Assigned
Total	**45.67**	**70.88**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation favourably factors in the position of Hawkins Cookers Limited (Hawkins) as one of the leading players in the pressure cooker industry with a strong brand equity, vast experience of the promoters and management in the industry, and a healthy financial risk profile. Further, Hawkins's strong pan India distribution network has ensured a wide reach and helped it build a strong brand franchise. The company's healthy financial risk profile is reflected in its industry leading RoCE and strong cash generation from operations in most fiscals, resulting in net debt free status and strong debt protection metrics.

While the company's growth trajectory has been good over the years, it reported a muted growth of ~3.2% in FY2020. This is largely attributable to the 21% YoY revenue decline during Q4FY2020 due to the Covid-19 pandemic led uncertainties and thereafter lockdown which offset the 12.8% revenue growth witnessed during 9M FY2020. Nevertheless, the company's dealers continued advance payments for their orders thus helping the company shore-up its liquidity as on March 31, 2020. With the lockdown's impact peaking during Q1 FY2021, ICRA expects full year revenues for the company to remain affected. ICRA will continue to monitor the developments in case there are more lockdowns in future and consumer demand is adversely impacted by a sharp contraction in India's gross domestic product (GDP).

The rating strengths are partially offset by the vulnerability of the company's profitability to volatility in raw material prices and intense competition faced by the company from other leading national and regional players as well as from the unorganised sector.

The company has a liberal dividend policy to reward its shareholders after keeping aside working capital and investment requirements as well as buffer for contingencies that have constrained the build-up of net worth. With the company prudently setting aside the annual final dividend for FY2020 until there is greater business certainty, ICRA expects it to maintain comfortable liquidity to commensurate its business requirements and financial obligations.

Key rating drivers and their description

Credit strengths

Established brand image backed by vastly experienced promoters and management – 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 a higher demand pull as reflected in high advertising spend during FY2019 and FY2020. Hawkins is backed by the sound experience of its promoters and management in the industry.

Healthy financial risk profile – The company has a healthy financial risk profile reflected in its industry leading RoCE (63.2%), healthy cash generation from operations in FY2020 with a net debt-free position, strong debt protection metrics (Total debt/OPBDITA of 0.4 time for FY2020) and a comfortable liquidity position.

Established distribution network – The company has an established and growing pan India distribution network, ensuring a wide reach. The same has helped the company build a strong brand, thereby supporting its revenue growth.

Credit challenges

High competitive intensity – The company is exposed to intense competition in the industry, requiring considerable spends on advertising and trade discounts to sustain and build market share.

Vulnerability to raw material prices – The company's profitability remains exposed to volatility in raw material prices, chiefly aluminium, where prices have exhibited fluctuations in the past. However, both stainless steel and aluminium prices continue to remain soft, and are expected to support the company's profitability.

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

Liquidity position: Strong

The company enjoys a **strong** liquidity position backed by healthy cash generation from its operations in FY2020, supported by the low capital intensity of its business and judicious working capital management. Unencumbered cash and liquid investments of Rs. 42.6 crore as on March 31, 2020, coupled with largely unutilised working capital limits, provide a strong liquidity cushion. With the company prudently setting aside the annual final dividend for FY2020 until there is greater business certainty, ICRA expects Hawkins to maintain comfortable liquidity commensurate with its business requirements and financial obligations.

Rating sensitivities

Positive triggers – ICRA could upgrade the rating if there is a significant improvement in its scale of operations with improved product diversification while maintaining its financial profile.

Negative triggers – Negative pressure on the rating could arise in case of a significantly weak operating performance on account of a sharp GDP 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 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 Mr. H.D. Vasudeva, the father of ex-chairman, Mr. Brahm Vasudeva (recently passed away on July 10, 2020). 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 overseas markets the rest. The company's pressure cookers are marketed under its flagship brand, 'Hawkins', as well as under 'Futura' and 'Miss Mary'. Cookware is sold under the Futura and Hawkins brands. The company has approximately 78 models of aluminium and stainless steel pressure cookers in 12 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 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 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. The company has two offices in Mumbai and a factory each at Thane (Maharashtra), Jaunpur (Uttar Pradesh) and Hoshiarpur (Punjab). While pressure cookers are manufactured at the company's plants, cookware sales are mainly traded. The company has a strong distribution network supported by more than 5,000 dealers.

Key financial indicators (audited)

Rs. crore	FY2019	FY2020
Operating Income (Rs. crore)	652.8	673.9
PAT (Rs. crore)	54.2	72.5
OPBDIT/OI (%)	13.2%	15.6%
PAT/OI (%)	8.3%	10.8%
Total Outside Liabilities Debt/ Tangible Net Worth(times)	1.2	1.1
Total Debt/ OPBDIT (times)	0.4	0.4
Interest Coverage (times)	21.7	26.4

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding* (Rs. crore)	Date & Rating 05-Aug-20	Date & Rating in FY2020 30-Jul-19	Date & Rating in FY2019 08-Aug-18	Date & Rating in FY2018 08-Aug-17
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	23.67	23.67	MAA (Stable); Reaffirmed	MAA (Stable); Reaffirmed	MAA (Stable); Reaffirmed	MAA (Stable); Reaffirmed
4	Fixed deposit programme	Medium term	25.21	-	MAA (Stable); Assigned	-	-	-

**As on March 31, 2020*

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the 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
-	Long term fund based facilities	-	NA	-	17.00	[ICRA]AA- (Stable)
-	Long term non-fund based facilities	-	NA	-	5.00	[ICRA]AA- (Stable)
-	Fixed deposit programme	-	NA	-	23.67	MAA (Stable)
-	Fixed deposit programme	-	NA	-	25.21	MAA (Stable)

Source: Hawkins Cookers Limited

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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.

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