

Hawkins Cookers Limited
Fifty-seventh Annual General Meeting
August 2, 2017

*Facing the Turbulence
Created by the Introduction of GST
And the Reasons Why
The Future Will Be Bright*

Speech of the Chairman
Brahm Vasudeva

1. I am very happy to extend to all of you a very warm welcome to this, the fifty-seventh AGM of our Company. As I have said before, we do not regard the AGM as a mere formality. Your Directors and I regard it as an opportunity to explain our current situation and our strategies to produce the best possible results. Equally, we are keen to receive your questions and comments. So, “Lend me your ears” for the next twenty minutes or so and then – give me your thoughts.

2. The general expectation that the Goods & Services Tax was coming, very probably with effect from July 1, 2017, had been around in the Indian market for many months. Along with this general expectation, there was a great deal of anxiety and apprehension as to how the coming of GST was going to impact upon various businesses. This widespread anxiety and apprehension has been caused by

- the general method of conducting business in India, with a significant component of black money in various sectors
- the piecemeal way in which information about GST was released by the Government in the weeks preceding the effective date of its introduction and
- the extreme complexity of the GST legislation and its requirements.

3. This general anxiety and apprehension was seen in the highest degree amongst traders and even more so amongst traders of pots and pans, the *bartanwale*.

4. Therefore, it is not surprising that financial results for the quarter ended June 30, 2017, were significantly less than the results of the corresponding quarter in 2016. Total revenue from operations (net of discounts) plus other income in the June quarter 2017 is Rs.87 crores, 13% less than the corresponding quarter in the previous year. Net profit after tax in the June quarter 2017 is Rs.4 crores 57 lakhs, 56% less than the corresponding quarter of the previous year.

5. How are we dealing with the immediate situation? Basically, in two ways. The first is by making sure that our own billing is GST-compliant. In order to achieve this we have already met 23 out of our total 27 Carrying & Forwarding Agencies and have spent four days with each of them, in three zonal groups. The C&FAs are carefully selected and appointed and fully trained by us to do a variety of functions including stock-keeping, despatches, invoicing and collections. The said three meetings with the 23 C&FAs were all held in the month of July 2017 itself. These meetings dealt thoroughly with GST related matters to ensure that

- the C&FAs themselves were fully knowledgeable about GST requirements and
- they were trained to guide our customers appropriately to reduce their anxieties and to increase our sales.

6. The second way in which we are dealing with the immediate situation created by the introduction of GST is to meet our Authorized Dealers. In the month of July 2017 we have already met 299 of our Authorized Dealers, again, in three different zonal meetings. In these meetings we have discussed with them the situation created by GST and how to increase their sales of Hawkins products in the new situation. Further, we plan to meet another 469 Authorized Dealers in two meetings next month. Thus, we would have met 768 of our Authorized Dealers by September 15, 2017. That figure represents 70% of our active Authorized Dealers. The dealer meetings confirm to us the confidence created by them in our dealers and give us reason to believe that we shall get back on a growth track fairly soon.

7. Now, I would like to give you the example of our single largest customer, Canteen Stores Department, in the current scenario created by the introduction of GST. In the period April to July, 2017, CSD's net orders (after cancellations) were -22% as compared with the orders placed by CSD in the corresponding period of 2016. However, for the month of August 2017, CSD has placed orders which are 43% more than their orders in August 2016.

8. So far, I have spoken about how Hawkins has faced the turbulence created by the introduction of GST. Now, I will explain the reasons why I believe that the longer term future of Hawkins will revert to being bright.

9. There are four fundamental factors which form the basis of my confidence that the future of Hawkins is as bright as I would like it to be. Three of these factors are things that I have spoken of before and one is a brand new factor – of which I will speak last.

10. The first factor is the extremely helpful role played by our principal product, the pressure cooker, in the lives of our consumers and also in the society at large.

For consumers, pressure cookers: For the society at large, pressure cookers:

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| <ul style="list-style-type: none">• save time• save fuel• save money• improve taste | <ul style="list-style-type: none">• save forests• save housewives, infants and toddlers from indoor pollution in the kitchen from <i>chulha</i> smoke• improve nutrition |
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11. The second factor is the socio-economic scene in India today. Consider the following:

- We have the highest GDP growth of any major country in the world currently
- We have the second lowest unemployment amongst all the major countries
- We have the lowest rate of inflation ever in the last 40 years in India
- The spread of literacy, TV and aspirational behaviour amongst consumers (“I am not less than anyone else”)
- The spread of disillusionment with poor quality products and the move towards well-reputed brands

12. The third factor is the set of skills that Hawkins has developed as a Company:

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| <ul style="list-style-type: none">• Design and Development of Products• Manufacturing and Sourcing• Quality Control | <ul style="list-style-type: none">• Distribution• Advertising• Consumer Service |
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13. The brand new fourth factor, paradoxically, is the long-term effect of GST itself. The trade understands that the coming of GST has made black money transactions more difficult, more dangerous and less rewarding. The trade knows that Hawkins does not indulge in black money transactions and is well-reputed with various authorities in this matter. Therefore, the tendency for traders to deal in Hawkins products will now be much stronger in the pressure cooker and cookware market. Also, business families will be more conscious of ethics and the law, risks and consequences and the effect on family members. All this will make dealing with Hawkins even more attractive for the trade.
