

Hawkins Cookers Limited
Fifty-third Annual General Meeting
July 30, 2013

*The Race between
Supply and Demand*

Speech of the Chairman
Mr. Brahm Vasudeva

1. I am happy to extend a very warm welcome to all of you to this, the fifty-third AGM of our Company. We do not regard this meeting as a routine formality. We regard it as an opportunity to explain our understanding of our current situation and our strategies to produce the best possible results for all of us. Equally, we are keen to receive your questions and suggestions – we seek inspiration from your inputs and our interaction. So, “Lend me your ears” for the next twelve minutes and then give me your thoughts.

2. In our Directors’ Report this year, we wrote: “We are pleased to be back in a situation where our efforts to grow the demand for our products are not constrained by the shortage of supply. Your Company’s strengths lie in bringing to the market products of good design, good quality and high consumer benefit; in organizing widespread distribution and service networks; in effective advertising; and in the skillful management of the supply chain, working capital and cash flows. Your Company can now once again focus on brand-building and growth in the near and long-term through introduction of new products as well as the growth of existing products.”

3. The necessity of both Supply and Demand for a business is commonly understood. What is not so widely understood are the differences between building Supply and growing Demand. I would like to touch on some of these aspects in my speech to you today because that will, I hope, give you some insights into our present situation and future strategies.

4. Now, let us turn to the differences between building Supply and growing Demand. Building Supply is a discrete activity, controlled by the Company: you

- Plan the increase in capacity
- Apply capital
- Acquire or develop technology
- Obtain regulatory approvals
- Build or expand factories
- Enter contractual arrangements
- Use an appropriate mixture of in-house and outhouse manufacture and
- You have additional or new products.

Building Supply is rather like building a house or buying an apartment – if you have the means, you can do it any time you want.

5. Growing Demand is not like that. First of all, the growth of Demand lies outside the area of direct control by the company. Consumers are free to buy or not buy from your company or any company. They are affected by their moods, macro-economic factors, competition and so many other things. You can woo consumers, not command them. Growing demand is an organic process, rather like the growth of a tree. It takes the right soil, the right seed, plenty of water – and time.

6. In both building Supply and in growing Demand, companies can and often do take shortcuts which can and do prove to be counter-productive. For example, in building Supply one can shortchange quality, cut corners on regulatory matters or enter contractual arrangements with in-house labour or vendors which are going to produce problems. In trying to grow demand, companies often cut price or over-discount, rush to market with half-baked products or distribute products beyond their ability to service. However, I must say that is not the way Hawkins does business. And by not taking those so-called shortcuts, Hawkins builds a trust with consumers and associates that endures and that builds brand value and profitability in the near and long-term.

7. Another aspect that is not widely understood is the symbiotic link between Supply and Demand. Increased supply of good products wanted by consumers in turn leads to the growth of demand for such products, largely through word-of-mouth recommendations from one consumer to the other. Conversely, a shortage of supply of such products leads to a retarding in the growth of demand. As you know, the year 2011-12 was a year of severe shortages for us. Through the year 2012-13, the shortages have been overcome. However, there is a natural time-lag which has affected the revival in the growth of demand for our products.

8. I would like to put the sales of our main product, pressure cookers, in perspective for you. In the Financial Year 2011-12, severely constrained by supply shortages, Hawkins sold 31.03 lakh pressure cookers, 1.0% less than the previous year. In the Financial Year 2012-13, with the end of supply shortages, Hawkins sold 35.37 lakh pressure cookers, 14.0% more than the previous Financial Year. In the Financial Year 2013-14, in the first quarter, Hawkins sold 6.09 lakh pressure cookers, 18.8% less than the corresponding quarter of the previous year.

9. Apart from the general lag in the growth of demand behind the growth of supply, there is another factor that explains the change from the sales increase of 14.0% in the Financial Year 2012-13 to a sales decrease of 18.8% in the first quarter of 2013-14. First, you should know that Hawkins had taken two price increases: one on February 16, 2012, and the other on April 1, 2013. Second, you should remember that it is a common tendency for dealers to stock up before a price increase and to correspondingly reduce their purchase for a period immediately following the price increase. These two facts will explain the change in sales trend from the Financial Year 2012-13 to the first quarter of 2013-14.

10. In order to get a realistic view of the sales trend without the distortion caused by the differing dates of the two price increases, it may be useful to look at the six-month period from January to June in the two years, 2012 and 2013. These periods contain price increases in the previous year and this year and will, thus, fairly include the stocking up before as well as the reduced buying after each of the two price increases. In the six-month period from January to June, 2012, Hawkins sold 15.94 lakh pressure cookers and in the same period in 2013 Hawkins sold 16.42 lakh pressure cookers, 3.0% more than the previous year. To my mind, this comparison gives a fair and balanced view of the current market trend in the sales of our pressure cookers. Please also remember that the foregoing figures are volumetric. We have taken a 7% price increase recently and the turnover figures are 6.9% up in the period January to June 2013 over the corresponding period in the previous year.

11. As regards our assessment for the current Financial Year, 2013-14, I would once again like to quote from our Directors' Report: "We believe the outlook for our business is excellent. The supply shortage has been overcome during the year 2012-13 and we are now considerably better poised to take advantage of the opportunities in the marketplace and to increase our sales and profits handsomely."

12. Your Company's plans to grow the sales of existing products and to launch new products in the current Financial Year are in an advanced stage of implementation. In order to deny our competitors advance information, I cannot give you any details of what we are planning. I would only like to say that, in my 45 years with Hawkins, I have never seen so many new products being introduced in so short a time after such thorough preparation. We also know, through market research and the tracking of consumer offtakes from dealer shelves, that the consumer demand for our existing products is higher than ever before. Therefore, I am confident that we shall have a good year in 2013-14.
