



Hawkins Cookers Limited

On the Other Side of the Pandemic

**Chairman's Speech
at the
Sixty-Second Annual General Meeting
August 4, 2022**

Dear shareholders,

1. A Very Warm Welcome to our Sixty-Second Annual General Meeting. This is our third virtual AGM. In our last AGM, I talked about “*Crossing the River by Feeling the Stones*”. I do not know whether I would be tempting providence by saying that we seem to have crossed the pandemic river and have reached the other side. At this time, last year, we were largely trying to deal with COVID related disruptions. Thereafter, COVID disturbances have reduced substantially. We have had record sales – up 25% and record profits – up 4% in 2021-22.

2. The profit growth is lower than the sales growth due to the unprecedented increase in the prices of raw materials. Let's start with aluminium, our main raw material. Our Aluminium buying prices are determined by the prices prevailing at the London Metal Exchange (LME). In March, 2020 the LME was about 1,900 USD per ton. In the month of March, 2022 the LME almost touched 4,000 USD per ton. We have had to take two price increases during the last year to mitigate, somewhat, the impact of aluminium price increase. It was not only aluminium but stainless steel, paper, brass, plastics, diesel and almost every other material whose prices have increased substantially. To the extent that we understand, the rampant inflation has less to do with actual demand and supply but more to do with expectations of supply disruptions and opportunistic profiteering that spread like a pandemic across sectors.

3. In a business to business environment, it's easier to take price increases and corresponding price decreases through negotiations. In a business to consumer environment, the consumer is not in a position to negotiate with the Company except that she negotiates with her feet, that is, she does not buy or she buys something cheaper. It is a vindication of our strategy to take subdued price increases, that not only did we grow 25% by value last year, we also grew 14% by volume, because we took measured price increases, keeping the consumer in mind.

4. The challenge is to keep down our costs without short-changing the consumer. For example, the soap that you are buying is shrinking regularly but the MRP is not changing. You cannot do that with pressure cookers and cookware. So what do you do? There is always the temptation to lower the grade or reduce the thickness of the material being used. We have chosen to do neither. The route that we took was very different. The constraint we put on ourselves is that we will not reduce the quality of our products, but will tighten our belt. We worked routes out that would keep the consumers' value intact, while reducing our costs. Let me share some examples.

5. Each pressure cooker is sold with an Instruction Manual with some recipes. It also has a guarantee card. Hawkins is the only manufacturer who also gives a directory with names and telephone numbers of 750+ Authorised Factory-trained Service Centres all across the country. We believe that this will help the consumer to buy genuine spare parts and to get expert service. These used to go as three different items. We figured out a way of combining all of these into the cookbook. This actually has a bigger consumer benefit, because she no longer needs to keep three different items. If she keeps her cookbook safely, her guarantee card and the list of service centres are preserved. Hawkins, on the other hand, saves more than Rs.10 per cooker in costs by this integration.

6. Another area we looked at carefully was the supply chain. During COVID 19, we had anyway equipped all our three factories to make most of our products because we were concerned that certain factories may have to be shut due to local COVID flare-ups whereas markets in other areas will continue to demand the products. While all the three factories are now operating, we have re-oriented our supply chain to ensure that items are made close to where they are consumed. This cuts down our cost of transporting pressure cookers from, say, Maharashtra to Uttar Pradesh, by almost Rs.30 per unit. We also moved to bigger containers and we have been able to cut down our logistics cost by 18% in the first quarter, despite increased fuel prices. This, of course, will bear its full fruit in the current financial year. So while giving the consumer full value, we have tried to be innovative and bring down our costs, so that come a pandemic, come inflation, we are better equipped and more competitive.

7. In 2012, Nassim Nicholas Taleb wrote a book named *Antifragile: Things That Gain from Disorder*. In some ways it was a reaction to the melt-down of 2008 and his thesis was that melt-downs and disasters are always around the corner and are unpredictable. However, good organisations can actually gain from these catastrophic events if they are able to use these shocks to change their usual way of doing business for the better.

8. This is what we hope to have achieved in Hawkins. I am pleased to let you know that at the end of these two tumultuous years of the pandemic and raw material inflation, Hawkins, in my view, is a much stronger organisation, more nimble, more competitive, much better able to deal with disruptions whether caused by pandemics of viruses or inflation. This is borne out by our results for the First Quarter. Sales at 198 Crores are up 31% over Q1 last year. Profits after Tax at 23 Crores are up 34%, despite Q1 having the highest ever raw material prices. It's also with a sigh of relief that we note that raw material prices have started trending down and the LME, from the high of 4,000 USD per ton, is now at about 2,500. Steel is also down, as are some other raw materials.

9. For the year 2019-20 – we had not paid any dividend as we were uncertain of how the pandemic will impact us. Thereafter, we had been paying an interim dividend to keep up the cash flow to the shareholder. This year we have been able to add a final dividend of Rs.60 to an interim of Rs.90, for a total dividend of Rs.150 for the year 2021-22 as our cash flow and profitability have improved.

10. So what next? Mr. Brahm Vasudeva used to quote Atal Bihari Vajpayee: *Chunnotiyon ki koi kami nahi* - There are no shortages of challenges. The back cover of our Annual Report shows that we are entering new categories. We have substantially increased the tempo of our new products introduction. These will bring new challenges as we closely monitor the manufacturing to maintain top-class quality. We have focused on new dealer acquisition and have, by far, the largest direct dealer network in our industry. As offline reawakens post the pandemic, we should benefit. In the last one year we have also recruited 64 new youngsters in management.

11. The new products, the new dealers and the new people will bring a new vigour to the Company. We must not forget that competition is intense, that inflation may bite the consumer, that raw material markets are still volatile. Taking all of this into account, we cannot guarantee that the coming year will be smoother. What we are more sure about is that Hawkins will be better prepared to deal with the challenges, more nimble, more *anti-fragile*. However, with all the agility, innovation and cost optimization, we don't forget that giving an excellent product to the consumer is our primary skill and expertise. We don't compromise on this, pandemic or no pandemic, inflation or no inflation. And therein lies the DNA and the core value of Hawkins, the brand, and Hawkins, the Company.
