

Hawkins Cookers Limited
Fifty-eighth Annual General Meeting
August 7, 2018

Marketing in Hawkins

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-eighth 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 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 fifteen minutes or so and then – give me your thoughts.

2. In our Directors’ Report this year, we have written: “We believe the outlook for our business is excellent. In this year, we have further strengthened the good reputation we have amongst our consumers, customers and associates and vendors. Our direct distribution in India in 2017-18 has increased by 7.1% to 5,050 dealers over the previous year. We expect to continue to increase our sales and profits.”

3. Our Founder Chairman, the late Mr. H. D. Vasudeva, my father, was fond of saying: *“Sales is the horse. The rest of the business is the cart which is pulled by the horse.”* We in Hawkins have always given prime importance to Sales. And we have always realized that sales is not just produced by pushing stocks on to dealers but by *Marketing*. So, in my Speech to you at this AGM, I will take the opportunity to explain our approach to Marketing.

4. We see six steps to growing demand, which is the function of Marketing:

1. The Assessment of Consumer Need
2. The Design and Development of the Product and its Packaging
3. Increase in Supply of the Products
4. Effective Distribution and Display of Products
5. Effective Advertising of Products
6. The Magic of ‘Word of Mouth’, consumers talking to consumers.

5. Hawkins goes through a seven-step design and development process which starts with the determination of the product function required. We have to ensure user safety and convenience and that the product works significantly better than any competitor’s product in the market. The second step is to give the product under development a pleasing distinctiveness which will enhance saleability. The third step is to design packaging not only for product protection in transit but also for display value to help the product *leap* from the dealers’ shelves into the hands of consumers. There are four other steps to ensure that all new products produced by Hawkins are thoroughly tested before being put on the market. The Hawkins way to design and

develop new products is not a quick fix. It means that Hawkins tends not to be the first in the market with new developments. It also means that Hawkins tends to be the best in the market whenever it does produce new products.

6. There is a 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. And building supply is a discrete activity, controlled by the Company: we

- Plan the increase in capacity;
- Apply capital;
- Develop the technology, if needed;
- Obtain regulatory approvals as required;
- Build or expand factories;
- Enter contractual arrangements and
- Use an appropriate mixture of in-house and out-house manufacture.

We thus get the supply we require.

7. 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.

8. Hawkins strength in organizing widespread distribution and display comes from the importance that we attach to the selection and training of our salesmen and the attention that we give to their promotions and career development. In fact, our present Executive Vice President-Sales was himself once a salesman, who climbed each step of the ladder to become Head of Sales. And his is not an isolated example. All our Regional and Zonal Sales Managers have been promoted from the level of salesman. Further, the remuneration structure for our sales staff at all levels contains a large part of performance incentives and contest prizes. Such policies enable us to get a highly motivated salesforce which produces the required distribution and display of our products in the market.

9. We achieve effective advertising of our products by again and again examining the sales results produced by our advertising and by making changes that may be required to make the advertising more effective. Along with the Advertising Guru, David Ogilvy, we believe that the sole purpose of advertising is "*To make the cash registers ring!*". While doing this, we take care to ensure that our advertising makes no exaggerated or misleading claims for our products. Here again, we believe along with David Ogilvy that effective advertising is "*The Truth, Well Told!*".

10. There is a new factor helping Hawkins Marketing which is the effect of GST. 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 and is well-reputed with various authorities in this matter. Therefore, the tendency for traders to deal in Hawkins products is now much stronger in the *Bartanwale* market.

11. The June quarter 2018 results are excellent. As compared with the June quarter of 2017, sales are 50% up and Profit After Tax is 134% up, though I must mention that the June quarter 2017 was a depressed quarter because of the turbulence created by the prospect of the introduction of GST with effect from July 1, 2017. However, if we look at the June quarter 2016 as a base (thus ignoring the depressed quarter of June 2017), we find that the compounded annual growth rate of sales from the June quarter of 2016 to the June quarter of 2018 is 14% per annum. Similarly, the Profit After Tax in the June quarter 2018 is 2% up on a compounded annual growth rate basis when compared with the Profit After Tax in the June quarter 2016.

12. Our Founder Directors, the late Mr. & Mrs. H. D. Vasudeva, started your Company in 1959 with an equity capital of Rs.20,000. More important than the money that they brought to the business was the vision of the need of crores of Indian homes for the convenience and economy of the pressure cooker – at that time an unknown product in India. That vision, and the values of Amrit and Hari Dutt Vasudeva are, to a great extent, responsible for what your Company is today.

13. In this journey, dear shareholders, we, all of you and I, have been fellow-travellers, *Hum hain humrahi*. For me personally, it has been a very satisfying journey, as a professional manager and an investor. I do hope that each of you, dear shareholders, have found this journey equally satisfying – not only as investors but as citizens of India proud to be associated with an enterprise such as Hawkins.

14. Thank you for your kind attention to my thoughts.
