

July 30, 2024

## Hawkins Cookers Limited: Ratings reaffirmed; rated amount enhanced for fixed-deposit programme

### 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	78.14	94.51	[ICRA]AA-(Stable); reaffirmed/ assigned for enhanced limits
<b>Total</b>	<b>100.14</b>	<b>116.51</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation of Hawkins Cookers Limited's (Hawkins) favourably factors in the expectation that the company's credit profile will remain stable in the near-to-medium term, driven by its position as one of the leading players in the pressure cooker industry with a strong brand franchise and vast experience of the management. Further, Hawkins' strong pan-India distribution network ensures a wide reach and mitigates any geographical concentration risk. The company's robust financial risk profile is reflected in its superior RoCE and strong cash generation ability, resulting in its net debt-free status and strong debt protection metrics.

The rating is, however, constrained by the company's exposure to relatively concentrated product portfolio and limited market size, with significant dependence on the kitchenware segment. The said segment has been facing stagnancy in volumes in the last two fiscals as sustained inflationary pressure has been impacting demand, amid intense competition. The revenues have also witnessed volatility in the last five fiscals as high inflation impacted the purchasing power of the customer, which in turn affected the company's growth. Hawkins' margin is also vulnerable to volatility in raw material prices and intense competition from other leading national and regional players as well as from the unorganised sector. The growth rate moderated to 2% in FY2024 (5% in FY2023) on a YoY basis against double-digit growth recorded in FY2021 and FY2022. The company's ability to diversify its products into new categories to reduce its concentration on a single product category remains a key rating monitorable.

ICRA's Stable outlook factors in the company's strong brand equity and leadership position in the pressure cooker and cookware market and a strong financial risk profile, reflected in its healthy cash generation from operations, strong debt protection metrics and a comfortable liquidity position.

### Key rating drivers and their description

#### Credit strengths

**Established brand as leading player in the pressure cooker segment** – Incorporated in 1959, the company is one of the leading players in the pressure cooker and cookware segment with a strong brand equity in the domestic market, built over decades. The company continues to invest in brand building and generating higher demand.

**Promoters' experience of three decades along with professional management team** – Hawkins is backed by the sound experience of its executive management in the industry for nearly three decades, first under the guidance of Late H.D.

Vasudeva, and then Late Brahm Vasudeva. Following the demise of Brahm Vasudeva, the former Chairman, Mr. Subhadip Dutta Choudhury has been appointed as the Chairman of the board of directors and the Managing Director, with effect from August 6, 2020. He is also the Chief Executive Officer of Hawkins. He has been associated with Hawkins for more than three decades.

**Strong financial risk profile** – The company has a strong financial risk profile, reflected in its RoCE of 45.6%, and healthy cash generation from operations in FY2024 with a net debt-free position. The company has a comfortable capital structure, reflected in its gearing of 0.1 times as on March 31, 2024 (against 0.2 times as on March 31, 2023). The coverage indicators remain healthy, with net cash accruals/total debt of 210% (166% in FY2023) and leverage (total debt/OPBDITA) of 0.2 times in FY2024 (0.3 times in FY2023). ICRA notes that the expansion in the net worth has been relatively limited because of stable payout of dividends over the years.

**Established distribution network with pan-India presence** – The company has an established and growing pan-India distribution network, ensuring a wide reach. The same helped the company build a strong brand, supporting its revenue growth. In FY2024, the domestic market contributed 94% to the total sales with the balance contributed by exports.

### Credit challenges

**Vulnerability to raw material prices** – Aluminium and stainless steel are the key raw materials for the pressure cooker and cookware industry. The company's profitability remains exposed to volatility in raw material prices, chiefly aluminium, which have exhibited fluctuations in the past. The same is also reflected in volatility in the company's operating margins, as reflected in an improvement to 14.7% in FY2024 from 13.5% in FY2023 and 12.5% in FY2022, primarily due to a decrease in aluminium and stainless-steel prices.

**Exposed to intense competition** – The company is exposed to intense competition in the industry from other branded players, resulting in limited pricing power. Further, the company requires considerable spends on advertising and trade discounts to sustain and build its market share.

**Relatively concentrated product portfolio and limited market size** – The company's product portfolio remains relatively concentrated towards the pressure cooker and cookware segments and is vulnerable to any economic downturn. Further, its overall growth prospects remain constrained by the limited market size of the pressure cooker segment. The company has been facing stagnancy in volume growth in the last two fiscals as sustained high inflation has been impacting demand and the purchasing power of the customers. The same is also visible in the growth rate sharply moderating to 2-5% in FY2023 and FY2024 from 14-25% in FY2021 and FY2022. In the near term, growth in the kitchenware segment is expected to remain range bound, given the high inflation level, though strengthening of the rural economy amid expectations of better monsoon remains a source of comfort.

### Environmental and Social Risks

**Environmental considerations:** Environmental risks for the industry players include handling hazardous waste materials and waste disposal practices. The company is exposed to high cost involved for maintaining the standards needed to be environmentally compliant. However, the company ensures that e-waste and hazardous waste are disposed through authorised agencies. Aluminium scrap is recycled. Under the cashback scheme, consumers get a rebate on purchase of new Hawkins products on return of old pots and pans. The company's primary product is the pressure cooker, which helps reduce fuel consumption, indoor air pollution, and the use of fossil fuels, while saving trees. The company also ensures compliance with all the prevailing pollution control norms and incentivises its suppliers to become environmentally compliant with air pollution control device systems. All its three operational factories are also compliant with pollution control requirements, which support its business continuity.

**Social considerations:** Hawkins is exposed to social risks, including implementation of labour rights and maintaining corporate governance. The company ensures workers’ safety, and all its factories have implemented occupational health and safety management system. In addition, aluminium and stainless steel used by Hawkins continue to be sourced from ISO-compliant suppliers.

### Liquidity position: Strong

The company has a strong liquidity position, backed by healthy cash generation from its operations and limited working capital requirements in the business. Unencumbered cash and liquid investments of Rs. 180.1 crore as on March 31, 2024, coupled with largely unutilised working capital limits, provide a strong liquidity cushion. ICRA expects Hawkins to maintain a comfortable liquidity position, commensurate with its business requirements and financial obligations.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the rating if there is any significant improvement in its scale of operations with product diversification into new categories, while maintaining its strong financial profile.

**Negative factors** – Pressure on the rating could arise in case of a materially weak operating performance on account of any sharp demand contraction. Any significant pressure on liquidity could be considered a negative trigger as well.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the issuer.

### About the company

Hawkins Cookers Limited was incorporated in 1959 as Pressure Cookers and Appliances Pvt. Ltd. under the guidance of Late H.D. Vasudeva, and then led for over 50 years by Late Brahm Vasudeva. 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 accounting for the rest. The company’s pressure cookers and cookware are marketed under its flagship brand, Hawkins, as well as Futura and Miss Mary. The company’s cookware are sold under the Futura and Hawkins brands. The company has 20 models of stainless-steel pressure cookers and 92 models of aluminium pressure cookers. Hawkins Classic is the largest selling and most popular range of pressure cooker for the company. Hawkins has various kind of shape, size and material in its kitchenware segment useful for households, hotels and canteens. Futura cookware offers various hard anodised and non-stick cookware in different sizes to meet consumer requirements. The company has added Hawkins Tri-Ply stainless steel frying pans, deep fry and flat pans in its range of stainless-steel cookware. It has also successfully diversified into pressure die cast aluminium and cast-iron cookware.

The company has two offices in Mumbai and a factory each in Thane (Maharashtra), Jaunpur (Uttar Pradesh) and Hoshiarpur (Punjab). While its pressure cookers and cookware are both manufactured at the company’s plants, the latter is still mainly traded. The company has a strong distribution network of 9,379 dealers.

### Key financial indicators (audited)

	FY2023	FY2024
<b>Operating income</b>	1,005.8	1,024.1
<b>PAT</b>	94.8	109.8
<b>OPBDIT/OI</b>	13.5%	14.7%
<b>PAT/OI</b>	9.4%	10.7%
<b>Total outside liabilities/Tangible net worth (times)</b>	0.7	0.6
<b>Total debt/OPBDIT (times)</b>	0.3	0.2
<b>Interest coverage (times)</b>	27.8	33.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
			Jul 30, 2024	Aug 2, 2023	Aug 1, 2022	Jun 28, 2022	Jul 23, 2021
1 Fund-based facilities	Long-Term	17.00	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
2 Non-fund-based facilities	Long-Term	5.00	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
3 Fixed Deposit	Long-Term	94.51	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable) <sup>1</sup>	MAA (Stable)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based facilities	Simple
Long term non-fund-based facilities	Very Simple
Fixed Deposit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

<sup>1</sup> ICRA has migrated the rating currently outstanding for Hawkins' fixed deposit programme from the medium-term rating scale to the long-term rating scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another and not as a reflection of a change in the credit risk of the fixed deposit programme.

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term fund based facilities	NA	NA	NA	17.00	[ICRA]AA- (Stable)
NA	Long term non-fund-based facilities	NA	NA	NA	5.00	[ICRA]AA- (Stable)
NA	Fixed Deposit	NA	NA	NA	94.51	[ICRA]AA- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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