

Price Recommendations

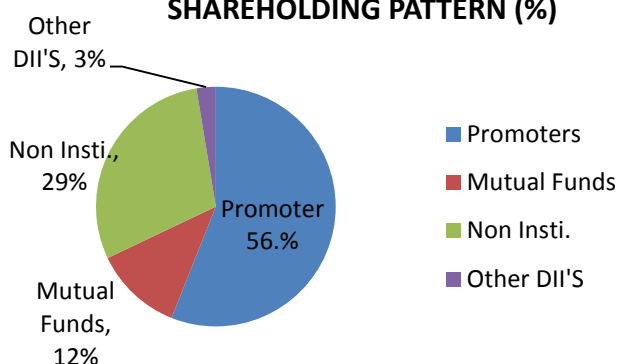
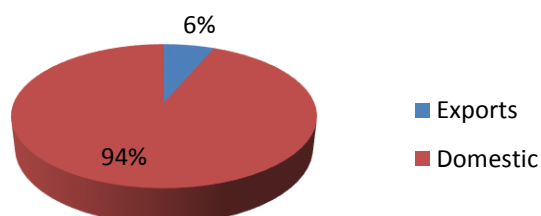
Current Market Price	2,940.45
Target Price	3,780.00
Upside move (%)	28%

Stock Insight

BSE Code	508486
Industry	House ware
Market Cap. (in cr.)	1,554.86
O/s Shares (No.)	52,87,815
Face Value	10
52 week High/Low	2627.00/3,548.00

Stock Statistics

EPS	92.06 per share
Book Value	227.90
P/E ratio	28.38
Industry P/E	42.70
Dividend Yield	2.42%
Debt/Equity	0.23 Times
Return on Equity	44.97%
NPM (%)	8.75%

SHAREHOLDING PATTERN (%)**SALES PATTERN****Company's Overview**

Hawkins Cookers Limited is an Indian company which manufactures pressure cookers and cookware. It has been in business since 1959 and has three plants which are located at Maharashtra, Punjab and Uttar Pradesh. Hawkins is a well-known household brand and is the leader in the pressure cooker market in India. It has sold over 72 million pressure cookers and cookware worldwide. All Hawkins pressure cookers are listed by Underwriters Laboratories Inc., USA, a worldwide institution for testing products for public safety.

The company is well known for its quality and continuous product innovation for making pressure cookers which are trusted by the millions of families using them. Hawkins has a PAN India distribution network with 5,050 dealers across the country. The direct distribution channels have increased by 7.1% as compared to the previous year. The company offers free service throughout the life of the pressure cooker at around 700 service centres all across India, Nepal & Bhutan.

Product Profile

Hawkins has an extensive product range consisting of pressure cookers, cooker accessories and cookware. Company offers 73 different pressure cooker models in twelve different types. The pressure cookers are marketed under the flagship brand Hawkins and also under the brand name Futura, Miss Mary, Hevibase and Bigboy whereas cookware is sold under the brand name Futura. Total revenue from pressure cooker sales is 80% whereas 17% of revenue comes from cookware segment. Hawkins has recently launched Stainless steel T-Pan which is also performing well in the market.

Financial Performance

The turnover of the company has increased from Rs. 512 crore in FY 2016-17 to Rs. 552 crore in FY 2017-18. The Company has reported a Net Profit Margin of 8.81% in the current year against 9.26% for the FY 2016-17. Profit Margins have been sluggish over the year due to increase in prices of aluminium. Consequent to the increase in input costs, the company has taken a price increase of 4.8% in Pressure Cookers and 4.2% in Cookware effective from April 1, 2018. Despite heavy competition and rise in Aluminium prices the company has managed its operations efficiently.

(Key Financial statements and Highlights given in the appendix)

QUARTERLY FINANCIAL RESULTS

Hawkins Cooker Ltd. has reported a healthy set of numbers for Q1FY19 with revenues growing 40% YoY to Rs 122.08 crore. PAT for the quarter came at Rs 10.70 crore vs. Rs 4.60 crore in Q1FY18. With positive Net Profit kicking in, EPS expanded significantly by 134.03% YoY. However, on a quarter-on-quarter (QoQ) basis in June'18 the company's turnover fell by 28.55%. The expenses were also down by 30.0% QoQ during the same period. The company's operating profit decreased by 20.6% during the quarter. Net profit for the quarter also declined by 13.22% QoQ, however net profit margins increased from 7.2 % in March'18 quarter to 8.7% in June'18 quarter.

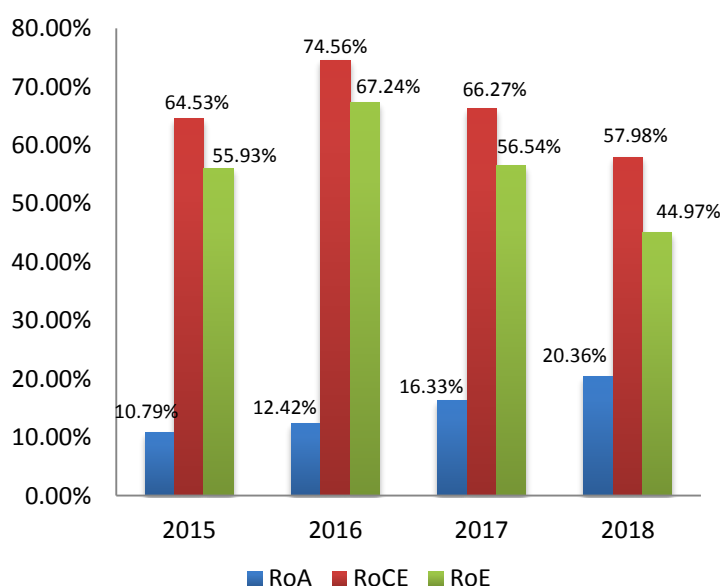
(in Rs. Crore)

Particulars	Quarter ended			QoQ % (June'18 to March'18)	YoY % (June'18 to June'17)
	June '18	March '18	June'17		
Total Revenue	122.08	170.87	87.00	-28.55%	40.32%
Total Expenses	105.82	150.53	80.12	-29.70%	32.08%
Operating Profit	16.26	20.34	6.88	-20.06%	136.34%
Net Profit	10.70	12.33	4.41	-13.22%	142.63%
EPS	20.22	24.25	8.64	-16.62%	134.03%

STRONG BALANCE SHEET, FINANCIAL RATIOS AND CASH FLOW

Hawkins Cookers Ltd gives an average Return on Equity (RoE) of 58.77% and average Return on Capital Employed (RoCE) of 68%. The debt to equity ratio of the company is declining gradually which indicates that the capex requirement of the company is fulfilled through its internal funds and the company has no burden to repay its financial cost. The EPS of the company is 92.06 per share which is on an increasing trend since FY 2014.

Hawkins cash flow from operations and free cash flows have remained positive implying that the company is very strong with its operating margins and the company is internally generating cash for its future capital Expenditure. Robust growth over the years despite of a low retention ratio of approx 25% and debt equity ratio placed at 0.3 times speaks volume about the company's efficient capital model.



Financial Ratios of Hawkins Cookers Ltd.

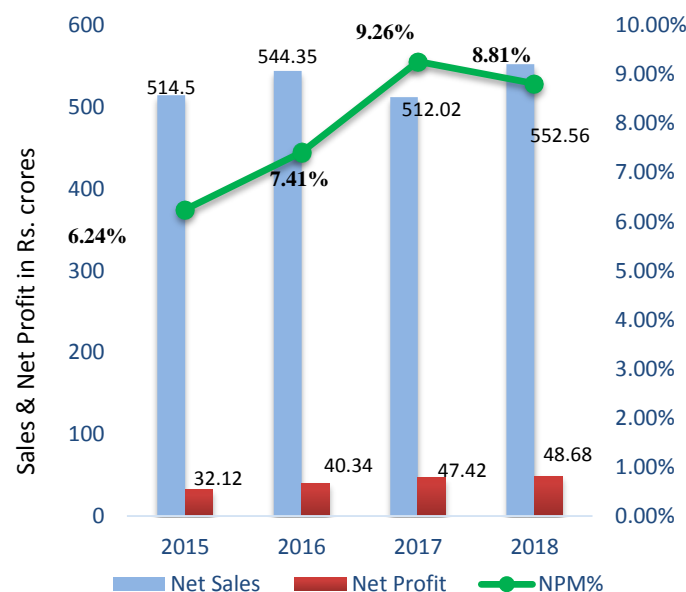


Chart showing Net sales, Net Profit and Profit Margin of Hawkins

PRICE MOVEMENT

The graph shows the price movement of Hawkins from September 2017 to date. The share price of Hawkins Cooker Ltd. has increased from Rs. 2600 levels to 3500 rupees.



STEADY DIVIDENDS

Hawkins Cooker Ltd. is paying steady dividends over the past 10 years. The dividend payout ratio of the company is approx 75%, implying that the company apportions major chunk of its profits to the shareholders every year. The dividend yield of the company is 2.42% which is highest in the industry. Company has paid a dividend of Rs. 70 per share for the FY 2017-18.

PARTICULARS	2017-18	2016-17	2015-16	2014-15	2013-14
Dividend Per Share	Rs. 70	Rs. 70	Rs. 60	Rs. 45	Rs. 60
Dividend %	700%	700%	600%	450%	600%
Dividend Pay Out Ratio(%)	76.04%	78.05%	78.65%	74.09%	82.80%

MAJOR GROWTH DRIVERS

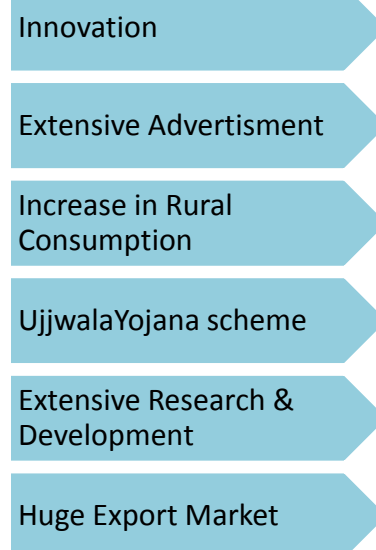
(A) Innovation and Branding

Hawkins Cookers Ltd. has recorded top line growth of 8.63% CAGR between FY09 to FY18. In FY18, top line grew by 7.9% against -5.93% in FY17. The key growth drivers of Hawkins Cookers are its continuous innovation of new products every year. The other key factor is their strong branding through constant advertisement of their products. With around 42 valid patents and designs registered in the company's name, Hawkins is relied upon internal research and innovation. Hawkins has not imported any technology in the past three years.

(B) Government Initiatives

Hawkins is expected to benefit from improving rural consumption and government spending ahead of elections. The recent increase in the rollout target of the government's UjjwalaYojana scheme to provide cooking gas connections to 80 million poor households from the current target of 50 million households will also aid growth. Furthermore, implementation of GST would be a key growth trigger in the long run, driving the shift from unorganised to organised players.

GROWTH DRIVERS





PEER COMPARISON

Hawkins Cookers Ltd. has not diversified into other segments like its peers to focus on its core segment of pressure cookers. Moreover, 80% of the total revenue of Hawkins is derived from sale of cookers as compared to TTK prestige and Butterfly Gandhimath whose pressure cooker sales accounts for 33% and 11.4% respectively. However, the net profit margin and the total revenue of Hawkins is almost half than the industrial leader TTK Prestige. But the turnover of the company is quite sizeable as compared to its petite Equity. Retention ratio of Hawkins is less than 25% as it apportions most of its earnings with its shareholders. Consequently, due to the small size of reserves and surplus, the book value of the company is not as much as compared to other business houses in the industry. The Price Equity ratio of Hawkins is less than its peers and the industry average of 47.33 times. Hawkins manages its inventory and assets better than its rivals as the asset turnover and inventory turnover ratio of Hawkins Cooker Ltd. is higher.

PARTICULARS	TTK Prestige	Hawkins	Butterfly
Equity	11.56	5.29	17.88
Face Value	10	10	10
Net Sales	1746.45	556.61	549.31
Profit After Tax	263.49	48.68	4.81
PAT Margin %	13.25%	8.75%	0.88%
Return on Capital Employed %	34.72%	57.98%	6.64%
Return On Equity %	28.20%	44.97%	2.72%
Earnings per Share	228.13	92.06	2.82
PE Ratio	43.91	28.38	32.07
Dividend Yield%	0.48%	2.42%	0.00%
Equity Dividend %	300.00%	700.00%	0.00%
Latest Book Value (Rs)	899	227.9	101
Debt to Equity(x)	0.13	0.23	1.16
Market Capitalization	6,968.94	1,554.86	477.47
Price / Book Value(x)	6.7	12.90	2.64
Asset Turnover	1.39	2.33	1.24
Inventory Turnover	4.87	7.44	4.7

THE ROAD AHEAD

Hawkins has a lean balance sheet, with debt/equity comfortably placed at 0.23x. Over the years, the company has maintained healthy dividend payouts with an average ratio of 75%+. Hawkins has a capital efficient business model, which has led Hawkins to generate industry best return ratios (ROCE: 57% as on FY18). At the CMP, Hawkins is trading at 2940.45 rupees which is 35x EPS. Given a strong brand equity, good track record of promoters and management, gradual pick-up of consumer sentiments in rural markets, constant focus on innovation, new product launches and healthy financial profile, we have a BUY recommendation on the stock with a target price of Rs 3780 (41x EPS).



APPENDIX: FINANCIAL HIGHLIGHTS& KEY RATIOS

BALANCE SHEET FINANCIAL HIGHLIGHTS & KEY RATIOS

(in Rs. Crore)

BALANCE SHEET	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
<u>EQUITY AND LIABILITIES</u>					
Shareholder's Funds	109.82	106.68	61.07	58.92	55.92
Loans(Short + Long)	25.09	27.33	32.05	18.76	24.51
Other Liabilities	109.19	100.06	253.44	225.58	211.39
	244.10	234.07	346.55	303.26	291.82
<u>ASSETS</u>					
Fixed Assets	24.21	23.01	23.08	23.20	24.09
Loans &Advances(Short +Long)	15.70	14.00	141.11	132.15	112.01
Current Assets	204.16	197.05	182.36	147.91	155.72
	244.10	234.07	346.55	303.26	291.82
Contingent Liabilities	36.75	36.77	0.00	0.00	0.00
<u>KEY FINANCIAL RATIOS</u>					
Debt/Equity(x)	0.23	0.26	0.52	0.32	0.44
Current Ratio(x)	1.83	1.76	1.34	1.41	1.25
Return on Assets (%)	20.36	16.33	12.42	10.79	13.97
Return on Equity (%)	44.97	56.54	67.24	55.93	69.18
Return on Capital Employed (%)	57.98	66.27	74.56	64.53	76.73
Book Value	207.69	201.74	115.49	111.42	105.75

CASH FLOW STATEMENT HIGHLIGHTS

(in Rs. Crore)

DESCRIPTION	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Cash From Operating Activities	69.23	60.57	34.55	28.28	33.34
Cash Flow from Investing Activities	-12.59	-14.29	-0.05	0.49	-0.67
Cash from Financing Activities	-52.50	-39.33	-17.18	-47.57	-32.24
Net Cash Inflow / Outflow	4.14	6.96	17.32	-18.80	0.43
Opening Cash & Cash Equivalents	3.89	-3.06	31.59	50.39	49.97
Closing Cash & Cash Equivalent	8.03	3.89	48.92	31.59	50.39



PROFIT & LOSS FINANCIAL HIGHLIGHTS & KEY RATIOS

(in Rs. Crore)

DESCRIPTION	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Net Sales	552.56	512.02	544.35	514.50	457.08
Less: Expenditure	482.04	437.78	476.44	463.73	398.42
Operating Profit (Net sales-Exp.)	70.52	74.24	67.91	50.77	58.66
Other Income	11.09	4.48	3.25	3.82	4.53
Profit before Interest ,Depreciation and Tax	81.61	78.72	71.16	54.59	63.19
Interest	4.14	4.28	3.45	3.70	3.51
Depreciation	3.66	3.47	3.45	3.58	2.62
Exceptional Income / Expenses	0.00	0.00	-4.04	0.00	0.00
Tax Expense	25.13	23.55	19.89	15.20	18.77
Profit After Tax/Net Profit	48.68	47.42	40.34	32.12	38.28
Earnings Per Share	92.06	89.68	76.29	60.74	72.40
GROWTH YoY %					
Sales Growth %	7.90%	-5.93%	5.80%	12.50%	7.90%
PAT Growth %	2.65%	17.56%	25.60%	-16.10%	12.60%
KEY FINANCIAL RATIOS					
Operating Profit %	12.76%	14.50%	12.48%	9.87%	12.83%
Net Profit Margin %	8.81%	9.26%	7.41%	6.24%	8.38%



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GROUP COMPANIES

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MEMBER-NSE

HEM MULTI COMMODITIES PRIVATE LIMITED

MEMBER-NCDEX, MCX

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Disclosure of Interest Statement:

1. Analyst Ownership of the stock	No
2. Hem & its group companies ownership of stock	Yes
3. Hem & its group companies director ownership of stock	No
4. Broking relationship with the company covered	No

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