

Hawkins Cookers Ltd

Performance Update

(` cr)	3QFY20	3QFY19	% yoy	2QFY20	% qoq
Revenue	193	175	10.6	193	0.4
EBITDA	31	20	58.8	36	(12.0)
OPM (%)	16.3	11.3	494bp	18.6	(229bp)
Reported PAT	22	12	80.5	27	(16.6)

Source: Company, Angel Research

For 3QFY2020, Hawkins Cookers Ltd (HCL) posted strong set of numbers, exceeding our expectations on top-line and bottom-line fronts. Revenue grew by ~11% yoy. The company's operating margins improved by 494bps yoy. On the bottom-line front, HCL reported growth of ~80% yoy to `22cr on the back of healthy revenue growth and operating performance.

Top-line grew ~11% yoy: HCL's top-line grew by ~11% yoy to `193cr on the back of healthy growth in cooker and cookware segment. HCL reported healthy growth compared to its leader in market, which signified the market share gain during the quarter. During the quarter, the company launched two products viz. two dish and three dish set pressure cookers.

Strong operating performance aided profitability: On the operating front, the company reported better margins, up 494bps yoy on the back of lower raw material price and other expenditure. On the bottom-line front, HCL reported growth of ~80% yoy to `22cr on the back of strong operating performance and healthy top-line growth.

Outlook and Valuation: We forecast HCL to report healthy top-line CAGR of ~13% to `954cr over FY2019-22E on the back of government initiatives, new product launches, strong brand name and wide distribution network. On the bottom-line front (reported PAT), we estimate ~24% CAGR to `102cr due to strong revenue and operating margin improvement (on the back of correction in raw material prices). **Thus, we maintain BUY on the stock with a revised Target Price of `5,232.**

Key Financials

Y/E March (` cr)	FY2019	FY2020E	FY2021E	FY2022E
Net sales	653	734	837	954
% chg	18.1	12.5	14.0	14.0
Adj. Net profit	54	78	89	102
% chg	11.4	43.9	14.5	14.7
EBITDA margin (%)	13.2	15.0	15.1	15.1
EPS (`)	102.5	147.4	168.9	193.8
P/E (x)	43.8	30.4	26.6	23.2
P/BV (x)	20.0	15.4	12.4	9.9
RoE (%)	45.7	50.6	46.8	42.7
RoCE (%)	55.0	57.0	54.5	50.6
EV/Sales (x)	3.6	3.2	2.8	2.5
EV/EBITDA (x)	27.5	21.5	18.6	16.2

Source: Company, Angel Research

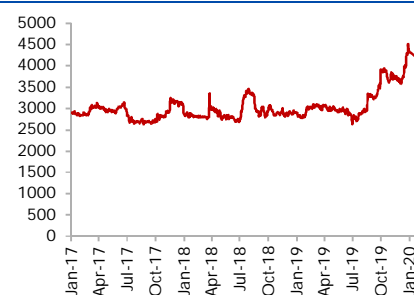
BUY

CMP	`4,489
Target Price	`5,232
Investment Period	12 months

Stock Info	
Sector	Houseware
Market Cap (` cr)	2,373
Net Debt (` cr)	(7)
Beta	0.5
52 Week High / Low	4,650/2,606
Avg. Daily Volume	2,944
Face Value (`)	10
BSE Sensex	39,872
Nifty	11,707
Reuters Code	HWKN.BO
Bloomberg Code	HAWK.IN

Shareholding Pattern (%)			
Promoters			56.0
MF / Banks / Indian			15.3
FII / NRIs / OCBs			1.5
Indian Public/Others			27.2
Abs.(%)			
	3m	1yr	3yr
Sensex	(1.1)	9.0	41.2
HCL	16.2	46.2	49.3

Historical share price chart



Source: Company, Angel Research

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3QFY2020 Performance

Y/E March (cr)	3QFY20	3QFY19	% yoy	2QFY20	% qoq	9MF20	9MF19	% chg
Net Sales	193	175	10.6	193	0.4	528	468	12.8
Consumption of RM	79	77	2.7	88	(10.3)	232	206	12.6
(% of Sales)	41.1	44.2		45.9		44.0	44.1	
Staff Costs	25	23	5.7	25	(1.3)	71	67	5.6
(% of Sales)	12.7	13.3		12.9		13.5	14.4	
Other Expenses	58	54	6.4	43	33.2	135	130	3.7
(% of Sales)	29.9	31.1		22.6		25.6	27.8	
Total Expenditure	162	155	4.5	157	3.2	439	404	8.6
Operating Profit	31	20	58.8	36	(12.0)	89	64	39.2
OPM	16.3	11.3		18.6		16.9	13.7	
Interest	1	1	(1.1)	1	(22.4)	3	3	6.0
Depreciation	1	1	16.7	1	6.2	3	3	14.5
Other Income	1	1	(7.0)	1	27.4	2	3	(30.7)
PBT (excl. Ext Items)	30	19	60.5	34	(11.4)	85	62	37.9
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	30	19	60.5	34	(11.4)	85	62	37.9
(% of Sales)	15.7	10.8		17.8		16.2	13.2	
Provision for Taxation	8	6	21.6	7	7.9	22	21	5.2
(% of PBT)	25.8	34.0		21.2		26.1	34.2	
Reported PAT	22	12	80.5	27	(16.6)	63	41	54.9
PATM	11.6	7.1		14.0		12.0	8.7	

Source: Company, Angel Research

Outlook and Valuation

We forecast HCL to report healthy top-line CAGR of ~13% to `954cr over FY2019-22E on the back of government initiatives, new product launches, strong brand name and wide distribution network. On the bottom-line front (reported PAT), we estimate ~24% CAGR to `102cr due to strong revenue and operating margin improvement (on the back of correction in raw material prices). **Thus, we maintain BUY on the stock with a revised Target Price of `5,232.**

Downside risks to our estimates

Volatile aluminium prices: Aluminium accounts for ~20% of net sales of HCL. Volatility in aluminium prices will have a negative impact on the company's performance.

Economic slowdown: Economic slowdown will affect the performance of the company.

Competition: Losing market share due to stiff competition could impact the profitability of company.

Company Background

Hawkins Cookers Ltd (HCL) was incorporated in 1959 by Mr. HD Vasudeva. HCL operates in two segments i.e. Pressure Cookers and Cookware. The pressure cookers are marketed under the flagship brand Hawkins and also under Futura and Miss Mary; cookware is sold under the Futura brand name. The company has approximately 75 models of pressure cookers in eleven different varieties. Currently, the domestic market contributes around 94% of the overall sales and rest comes from

Profit & Loss Statement

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Net Sales	553	653	734	837	954
% chg	7.9	18.1	12.5	14.0	14.0
Total Expenditure	482	567	624	711	810
Raw Material	261	293	323	368	420
Personnel	76	91	103	118	136
Others Expenses	145	182	198	224	255
EBITDA	71	86	110	126	144
% chg	(5.0)	22.2	27.8	14.8	14.0
(% of Net Sales)	12.8	13.2	15.0	15.1	15.1
Depreciation & Amortisation	4	4	5	6	7
EBIT	67	82	105	121	137
% chg	(5.5)	22.9	28.4	14.4	13.8
(% of Net Sales)	12.1	12.6	14.4	14.4	14.4
Interest & other Charges	4	4	4	4	4
Other Income	11	4	3	3	4
(% of PBT)	15.0	5.0	2.9	2.5	2.9
Recurring PBT	74	82	104	119	137
% chg	4.0	11.6	26.6	14.5	14.7
Tax	25	28	26	30	34
(% of PBT)	34.0	34.2	25.2	25.2	25.2
PAT (reported)	49	54	78	89	102
Extraordinary Items	-	-	-	-	-
ADJ. PAT	49	54	78	89	102
% chg	2.7	11.4	43.9	14.5	14.7
(% of Net Sales)	8.8	8.3	10.6	10.7	10.7
Basic EPS (₹)	92.0	102.5	147.4	168.9	193.8
Fully Diluted EPS (₹)	92.0	102.5	147.4	168.9	193.8
% chg	2.7	11.4	43.9	14.5	14.7

Balance Sheet

Y/E March (` cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
SOURCES OF FUNDS					
Equity Share Capital	5	5	5	5	5
Reserves& Surplus	105	113	149	185	235
Shareholders Funds	110	119	154	191	240
Total Loans	25	31	31	31	31
Deferred Tax Liability	3	2	2	2	2
Total Liabilities	138	152	188	224	274
APPLICATION OF FUNDS					
Gross Block	30	37	47	57	67
Less: Acc. Depreciation	7	11	15	21	28
Net Block	23	27	32	36	39
Capital Work-in-Progress	1	2	2	2	2
Investments	-	-	-	-	-
Current Assets	220	237	279	328	394
Inventories	67	100	117	135	157
Sundry Debtors	47	79	93	108	126
Cash	87	35	42	48	64
Loans & Advances	14	19	22	29	38
Other Assets	4	5	6	8	10
Current liabilities	111	118	129	146	166
Net Current Assets	109	119	150	182	229
Deferred Tax Asset	4	4	4	4	4
Mis. Exp. not written off	-	-	-	-	-
Total Assets	138	152	188	224	274

Cash flow Statement

Y/E March (` cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Profit before tax	74	82	104	119	137
Depreciation	4	4	5	6	7
Change in Working Capital	22	(62)	(24)	(26)	(31)
Interest / Dividend (Net)	(2)	0	4	4	4
Direct taxes paid	(22)	(28)	(26)	(30)	(34)
Others	(5)	(2)	0	0	0
Cash Flow from Operations	69	(6)	63	74	83
(Inc.)/ Dec. in Fixed Assets	(1)	(8)	(10)	(10)	(10)
(Inc.)/ Dec. in Investments	(12)	50	0	0	0
Cash Flow from Investing	(13)	42	(10)	(10)	(10)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	7	6	0	0	0
Dividend Paid (Incl. Tax)	(44)	(45)	(42)	(53)	(53)
Interest / Dividend (Net)	3	(49)	(4)	(4)	(4)
Cash Flow from Financing	(35)	(87)	(47)	(57)	(57)
Inc./(Dec.) in Cash	22	(52)	7	6	16
Opening Cash balances	65	87	35	42	48
Closing Cash balances	87	35	42	48	64

Key Ratios

Y/E March	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Valuation Ratio (x)					
P/E (on FDEPS)	48.8	43.8	30.4	26.6	23.2
P/CEPS	45.4	40.8	28.7	25.0	21.7
P/BV	21.6	20.0	15.4	12.4	9.9
Dividend yield (%)	1.6	1.6	1.8	2.2	2.2
EV/Sales	4.2	3.6	3.2	2.8	2.5
EV/EBITDA	32.8	27.5	21.5	18.6	16.2
EV / Total Assets	16.8	15.6	12.6	10.5	8.6
Per Share Data (Rs)					
EPS (Basic)	92.0	102.5	147.4	168.9	193.8
EPS (fully diluted)	92.0	102.5	147.4	168.9	193.8
Cash EPS	98.9	110.1	156.3	179.8	206.8
DPS	70.0	70.0	80.0	100.0	100.0
Book Value	207.6	224.2	291.7	360.5	454.3
Returns (%)					
ROCE	49.6	55.0	57.0	54.5	50.6
Angel ROIC (Pre-tax)	139.9	72.0	73.7	69.7	66.3
ROE	44.3	45.7	50.6	46.8	42.7
Turnover ratios (x)					
Asset Turnover (Gross Block)	18.3	17.5	15.6	14.6	14.2
Inventory / Sales (days)	44	56	58	59	60
Receivables (days)	31	44	46	47	48
Payables (days)	34	30	30	30	30
Working capital cycle (ex-cash) (days)	41	70	74	76	78

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Hawkins Cookers

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Returns):

Buy (> 15%)

Reduce (-5% to -15%)

Accumulate (5% to 15%)

Sell (< -15%)

Neutral (-5 to 5%)