

Hawkins Cookers Ltd :- BUY

Sector:- Consumer Durables

Key Data(Listed only on BSE)

Figures

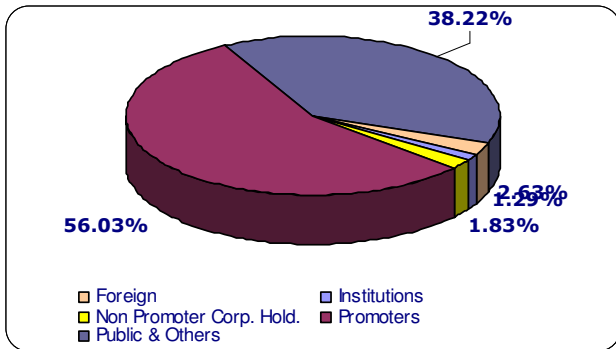
Latest Equity (Cr)	5.29
CMP (Rs.) As on 10.06.10	1075.55
52 Week High/Low (Rs.)	1167/291
Market Capitalization(Cr)	568.97
Book Value	73.55
EPS	69.64
Div Yield(%)	1.86
PE Ratio	15.44
Face Value(Rs)	10.00

Hawkins- Trusted brand in Indian households

The oldest, renowned and trusted name in the pressure cookers segment in the household sector in India. Manufacturing of quality products without compromising of the safety features have made its products stand out among rest of its competitors. Some of the leading brands viz: Futura, Contura, Ventura and Mary are the preferred choice of the consumers today.

Results for the Q4 09-10 and FY 09-10

The Company has posted strong numbers both for the quarter ended and FY 09-10 compared to the last fiscal. For the quarter ended March 2010, the top line grew by 8% to Rs 81.29 Cr while the bottom line growth reported a rise of 14% at Rs 7.95 Cr. However, on account of a superb performance though out the last fiscal the company posted a top line growth of 18% at Rs 285.57 Cr. Operating margins grew by 800 bps at 20% by virtue of which the net profit grew by 93% at Rs 36.84 Cr.



Source: Capitaline

Rationale for Investment

No 1 brand in India

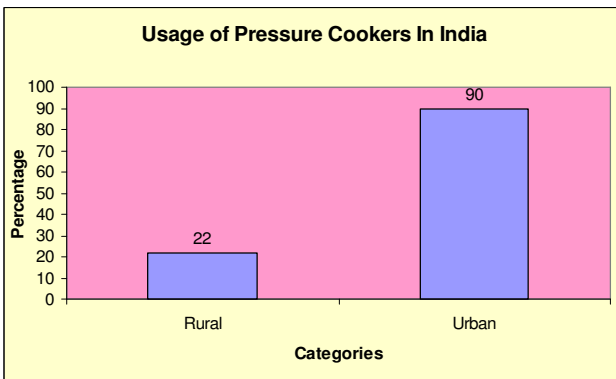
The company with its innovative manufacturing facilities has created a brand value over the last 50 years and it has got the distinction of manufacturing of variety of pressure cookers varieties serving the diversified range of consumers. It has got more than 57 different models of pressure cookers and has sold about 42 million products till date and across 60 countries.

Technological superiority

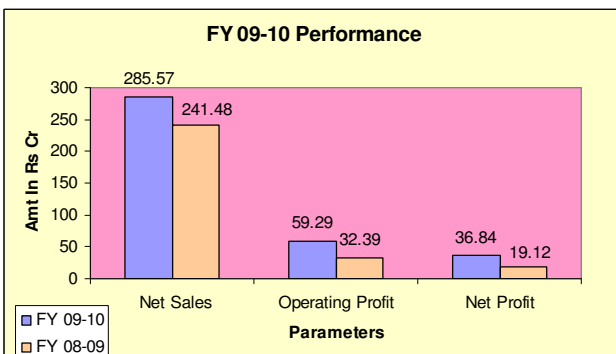
The safety features embedded in the products are unique and this makes it stand out against its competitors. Customers prefer safety above all else and hence the products find the first choice among them at the time of purchase. The company strives to maintain its technological superiority through its own research and development process rather than importing it. As of date it has got 65 valid patents and registrations in 5 countries

Rise in disposal income of the consumer

The products being an essential commodity will always find a place for itself, irrespective of a boom or a depression. More ever, with the rise in the disposal income of the consumer, one has a variety of choices to choose from. The company with its various brands satisfying different segments of the population stands to gain significantly in



Source: GSL Research

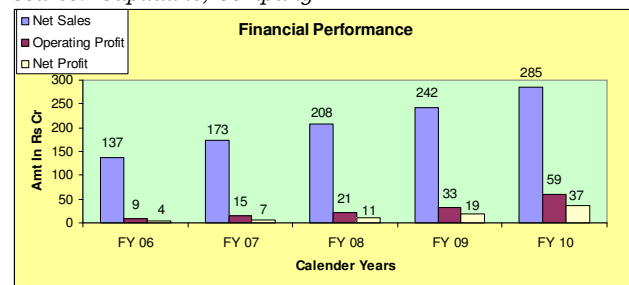


Source: Capitaline

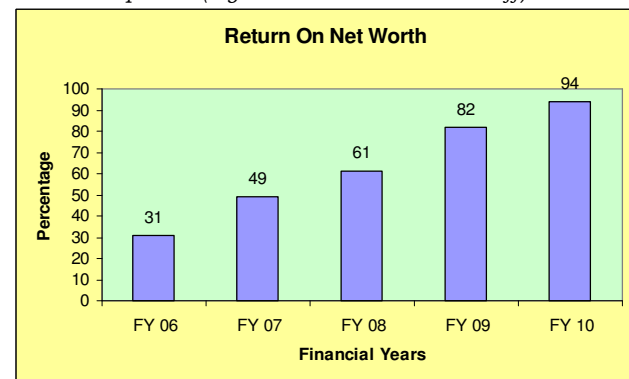
Balance Sheet Figures(Rs In Cr)		
Rs.Cr	FY 09-10	FY 08-09
Equity (Paid up)	5.29	5.29
Reserves	33.62	21.44
Shareholders Funds	38.91	26.73
Debt	12.27	8.79
Deferred Tax Liability	0.92	0.80
Total Liabilities	52.10	36.32
Fixed Assets	16.90	15.15
Investments	0.11	0.11
Net Current Assets	35.09	21.06
Total Assets	52.09	36.32

Profit & Loss A/c Figures(Rs In Cr)		
Particulars	FY 09-10	FY 08-09
Net Sales	285.56	241.48
Total Income	287.13	242.57
Total Expenditure	231.68	214.90
Operating Profit	55.45	27.67
Other Income	2.15	3.05
Interest	1.71	1.37
Tax Expenses	19.03	10.23
Net Profit	36.84	19.12
EPS	69.67	36.15

Source:- Capitaline, Company



Source:- Capitaline(Figures have been rounded off)



Source:- Capitaline (Figures have been rounded off)

the times to come. The pressure cooker market in India is expected to report a growth at an annual rate of 14% p.a. in the times to come from the current rate of about 10% p.a. Demand from urban areas is expected to increase with the technological up gradation of the existing brands.

Strong and a dynamic management team

Since its inception in 1959, the company has been fortunate enough to be driven by dynamic management at the helm of affairs of the company. Due to this the company has been able to maintain the leadership position in the consumer durables industry and at the same time given good returns to its investors. Recently it has announced a dividend of Rs 40 per share (Face Value Rs 10).

Superior Fundamentals

The net sales of the company has shown a CAGR of more than 18% over the last 5 financial years. Apart from this the company has made significant improvements in its operating and net profit margins over the last few financial years. It has also maintained a healthy ROE over the last 5 financial years.

Rural market presents a huge opportunity

The face of the rural economy has recently undergone a sea change in the method of livelihood. The rural market at present remains largely untapped and the company has made some significant penetration in this segment by which it can increase its sales volumes significantly. Emergence of new households remains the key growth driver in this segment.

Capacity available to meet the growing demand

The capacity utilization of the company remains low at just above 31%. Hence it can very well use its unutilized capacity to meet the ever increasing demand of pressure cookers without arising the need to issue fresh capital in the future to fuel its expansion plans if required.

Superior Returns

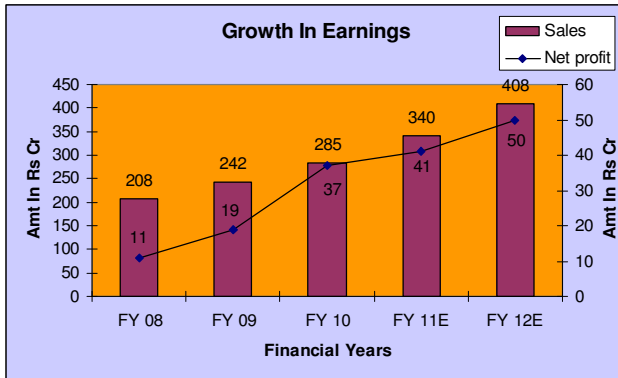
The stock has given a return of 260%, 61% and 48% over the last 1 year, 6 months and 3 months respectively. Apart from this it has constantly improved its operating margins over the last few financial years by virtue of which the company has shown steady rise in profitability figures along with rise in Return On Net Worth %.

Earnings Estimates(Rs In Cr)

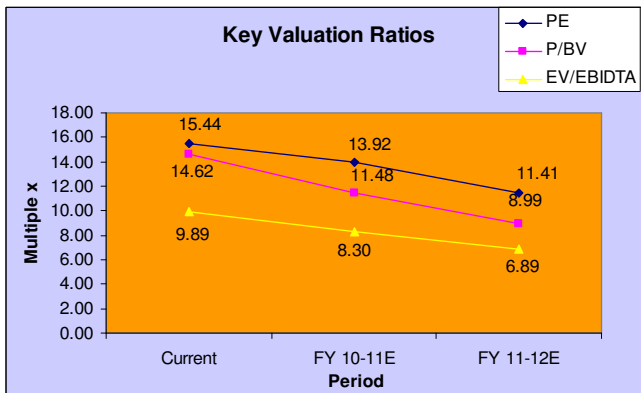
FY 09-10 FY 10-11E FY 11-12E

Net Sales	285.56	340	408
Operating Profit	55.45	68	82
Net Profit	36.84	41	50
EPS	69.67	77.53	94.55

Source:- GSL Research



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Research Analyst: Pinaki Banerjee
E Mail Id: pinaki.banerjee@guinessonline.net
Contact No. 033-3001-5555, Extn.5509

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Registered Office: Suite no. 5, Rizvi Nagar, S.V. Road, Milan Subway, Santacruz (West), Mumbai- 400 054. (w.e.f. 1st April 2009)
 Corporate Office: Guinness House. 18, Deshapriya Park Road, Kolkata-700 026. Ph: 3001-5555. Fax: 91 33 3001 5566.

Email: research@guinessonline.net, Website: www.16anna.com

Earnings Estimates and Valuations

We expect the company to report a top line growth of 19% and 20% for FY 10-11E and FY 11-12E respectively. With the prices of its raw materials mainly Aluminum and Stainless steel remaining steady at present, the operating and net profit margins are expected to remain intact as in the present.

We would assign a fair price of **Rs 1260** to be achieved in the coming medium to long term time period and hence initiate a **BUY** recommendation.

Concerns and Risks

The company faces stiff competition from TTK Prestige. Also there are many unbranded and local players in this segment who may flood the market with their cheap products thus hampering the sales in particular regions.