

Hawkins Cookers Limited

BUY

CMP: Rs.719.90

Date: February 27, 2010

Target Price: Rs.820.00

Market Cap. : Rs.3806.83mn.

Key Ratios:

Particulars	FY09 (12 m)	FY10E (12 m)	FY11E (12 m)
OPM (%)	13	23	23
NPM (%)	8	14	14
ROE (%)	72	61	41
ROCE (%)	86	82	59
P/BV(x)	14.24	5.60	3.32
P/E(x)	19.91	9.24	8.15
EV/EBDITA(x)	2.61	6.50	6.32
Debt-Equity ratio	0.33	0.14	0.09

Key Data:

Sector	Consumer Durables
Face Value	Rs.10.00
52 wk. High/Low	Rs.818.00 /154.60
Volume (2 wk. Avg.)	1561
BSE Code	508486

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SYNOPSIS

- Hawkins Cookers Limited is a company in India which manufactures domestic pressure cookers and cookware. The company has three manufacturing plants at Wagle estate Thane, Hoshiarpur and Jaunpur. It manufactures under different brand names of Hawkins, Futura, Contura and Ventura.
- The company is the largest cookware manufacturer in India and exports its products to more than 60 countries.
- The company continued its efforts on product development with more emphasis on research and development activity.
- The company has declared a dividend of Rs 20/- (Rupees Twenty only) per Equity Share for the year ended March 31, 2009.
- The company's top line and bottom line are expected to grow at a CAGR of 17% and 61% over FY08 to FY11E.

Share Holding Pattern:

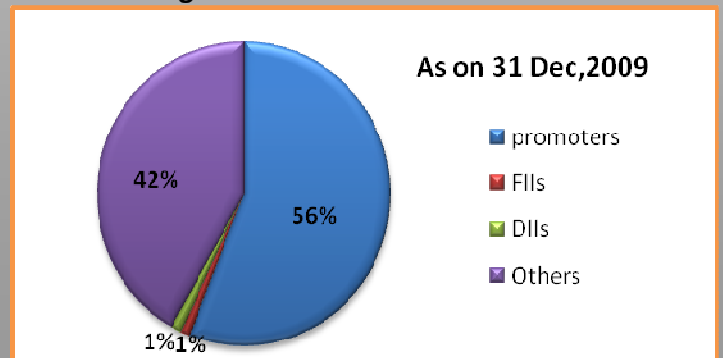


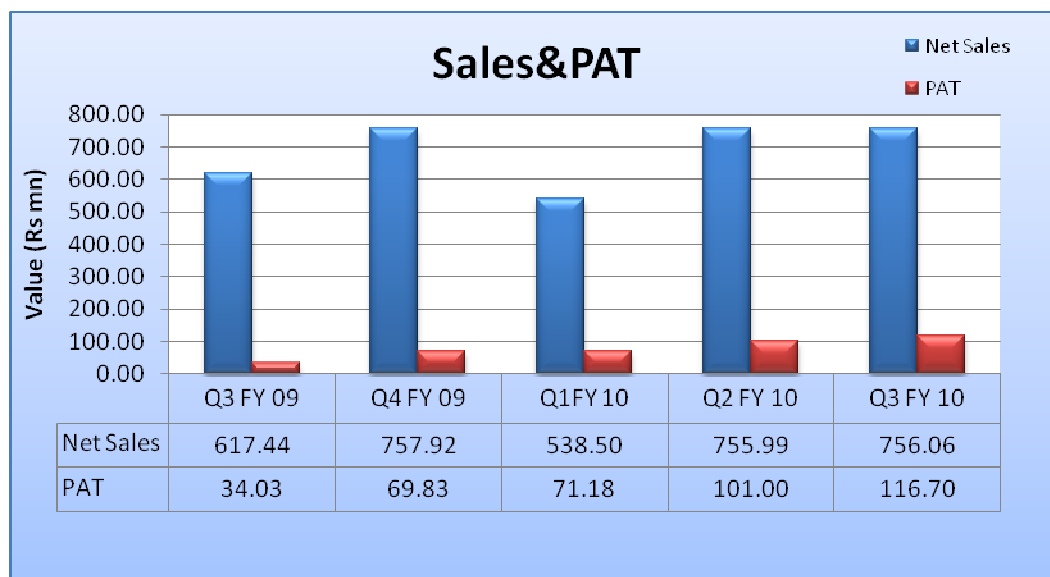
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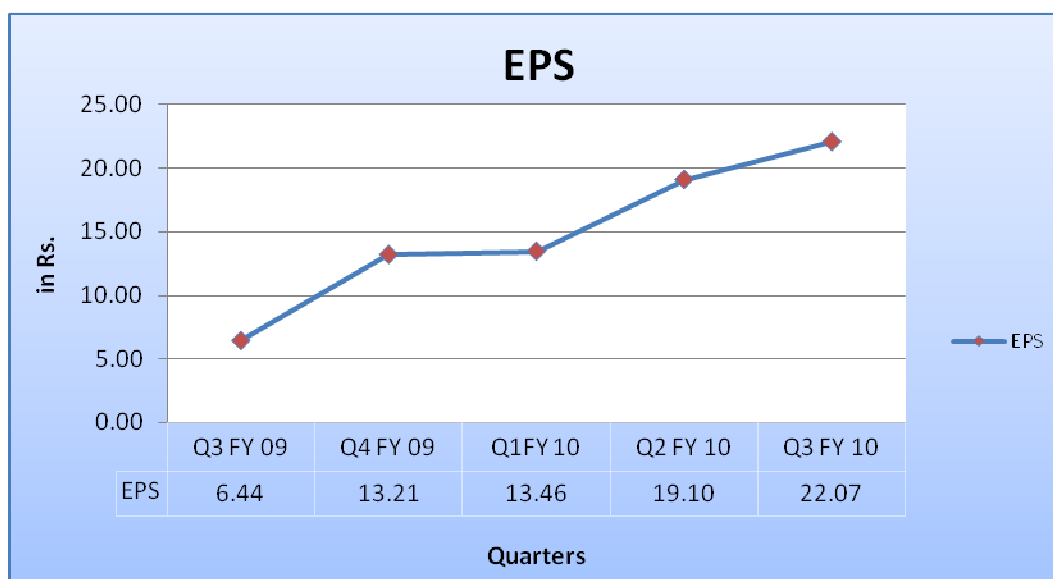
Investment Highlights

- **Result Updates (Q3 FY10)**

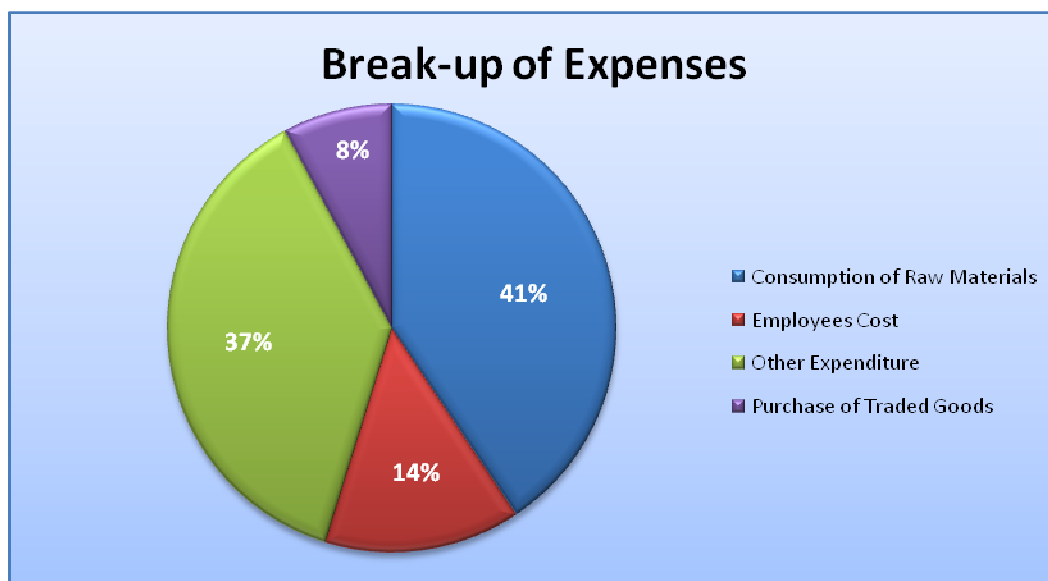
For the third quarter, the top line of the company increased 22%YoY and stood at Rs.756.06mn against Rs.617.44mn of the same period of the last year. The bottom line of the company for the quarter stood at Rs.116.70mn from Rs.34.03mn of the corresponding period of the previous year i.e., an increase of 243%YoY.



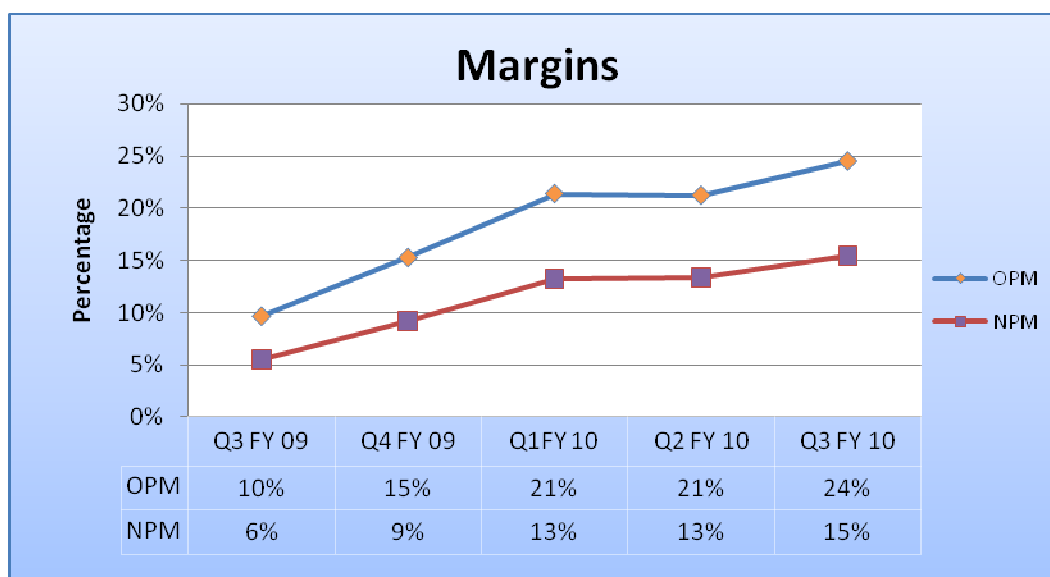
EPS of the company for the quarter stood at Rs.22.07 for equity share of Rs.10.00 each.



Expenditure for the quarter stood at Rs.577.63mn, which is around 3% higher than the corresponding period of the previous year. Raw material cost of the company for the quarter accounts for 31% of the sales of the company and stood at Rs.232.53mn from Rs.227.17mn of the corresponding period of the previous year i.e., an increase of 2%YoY. Employee cost increased 5%YoY to Rs.81.38mn from Rs.77.43mn. and accounts for 11% of the revenue of the company for the quarter.



OPM and NPM for the quarter stood at 24% and 15% respectively from 10% and 6% respectively of the same period of the last year.



- **Dividend declaration**

The company has declared a dividend of Rs 20/- (Rupees Twenty only) per Equity Share for the year ended March 31, 2009.

Peer Group Comparison

Name of the company	CMP(Rs.) (As on February 27 th ,2010)	Market Cap. (Rs. Mn.)	EPS (Rs.)	P/E (x)	P/BV (x)	Dividend (%)
Hawkins Cookers Ltd	719.90	3806.83	67.84	10.61	14.24	200.00
Bajaj Electricals	194.35	18957.80	13.03	14.92	7.98	100.00
TTK Prestige	454.00	5139.20	38.13	11.91	6.23	50.00
Khaitan Electricals	68.00	782.00	-	-	0.70	00.00

Key Concerns

- Cheap imports from Singapore, China and other Asian countries
- Recession in global economy
- Fluctuations in exchange rates
- High competition from global players
- Adverse Govt. policies

Financials

Results Update

12 months ended Profit and Loss A/C (Standalone):

Value(Rs in million)	FY08A	FY09A	FY10E	FY11E
Description	12m	12m	12m	12m
Net Sales	2041.59	2425.68	2844.41	3271.07
Other Income	11.17	30.53	25.01	27.52
Total Income	2052.76	2456.21	2869.43	3298.59
Expenditure	-1844.35	-2132.42	-2213.45	-2545.47
Operating Profit	208.41	323.79	655.98	753.12
Interest	-14.60	-13.69	-14.99	-16.49
Gross Profit	193.81	310.10	640.98	736.63
Depreciation	-15.69	-16.59	-16.84	-17.85
Profit before Tax	178.12	293.51	624.15	718.78
Tax	-65.51	-102.35	-212.12	-251.57
Net Profit	112.61	191.16	412.03	467.21
Equity Capital	52.88	52.88	52.88	52.88
Reserves	147.00	214.43	626.46	1093.67
Face Value	10.00	10.00	10.00	10.00
Total No. of Shares	5.29	5.29	5.29	5.29
EPS	21.30	36.15	77.92	88.35

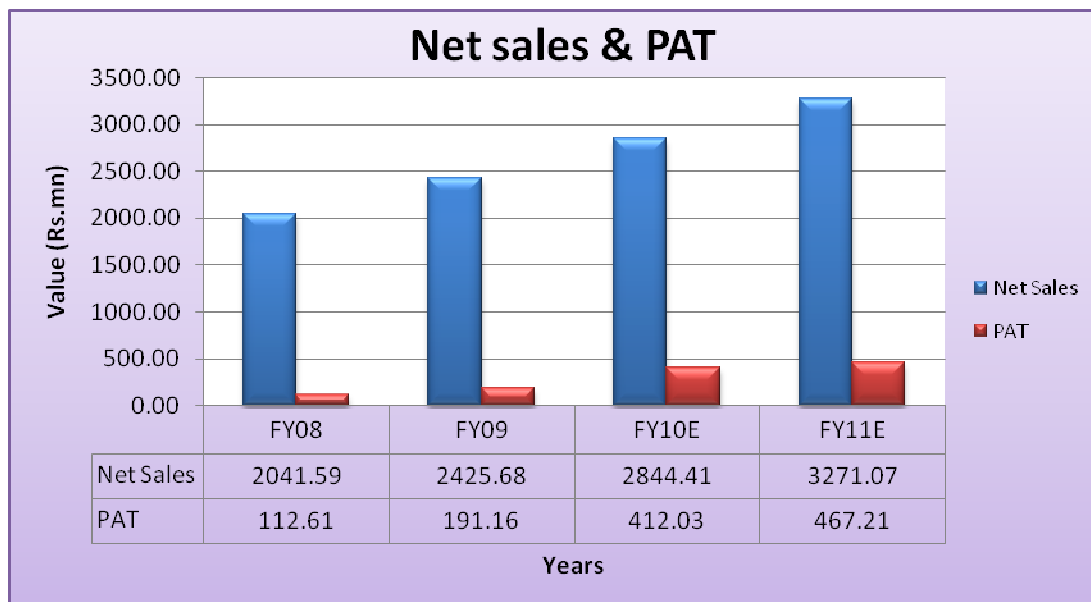


Quarterly ended Profit and Loss A/C (Standalone):

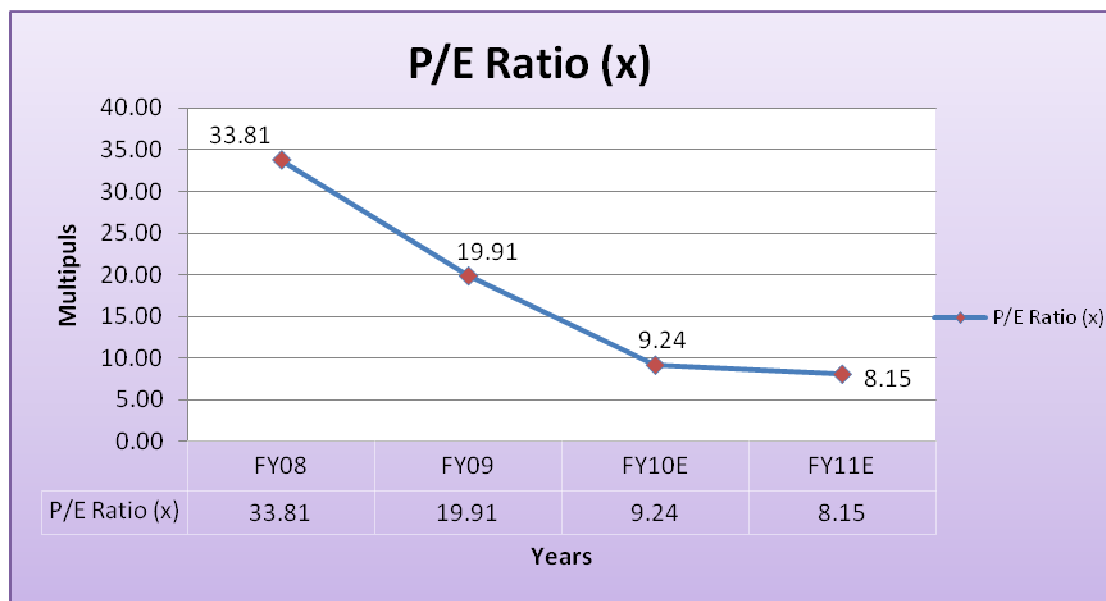
Value(Rs. in million)	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10E
Description	3m	3m	3m	3m
Net Sales	538.50	755.99	756.06	793.86
Other Income	6.19	4.29	6.76	7.77
Total Income	544.69	760.28	762.82	801.64
Expenditure	-429.51	-599.80	-577.63	-606.51
Operating Profit	115.18	160.48	185.19	195.13
Interest	-3.21	-3.24	-4.23	-4.31
Gross Profit	111.97	157.24	180.96	190.81
Depreciation	-4.09	-4.14	-4.26	-4.35
Profit before Tax	107.88	153.10	176.70	186.47
Tax	-36.70	-52.10	-60.00	-63.32
Net Profit	71.18	101.00	116.70	123.15
Equity Capital	52.88	52.88	52.88	52.88
Face Value	10.00	10.00	10.00	10.00
Total No. of Shares	5.29	5.29	5.29	5.29
EPS	13.46	19.10	22.07	23.29

Charts

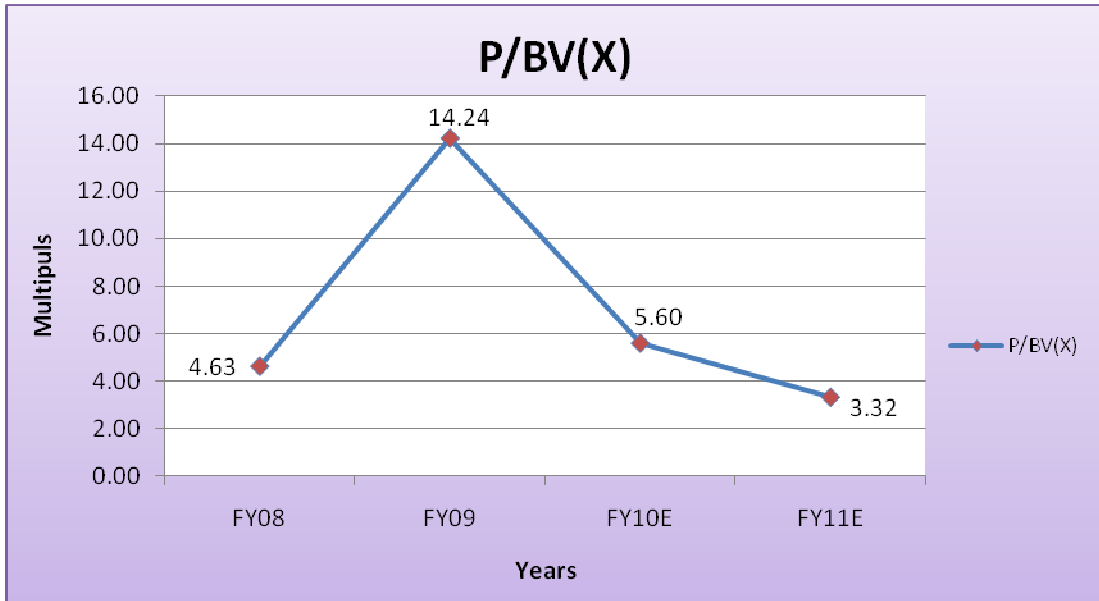
- Net sales & PAT



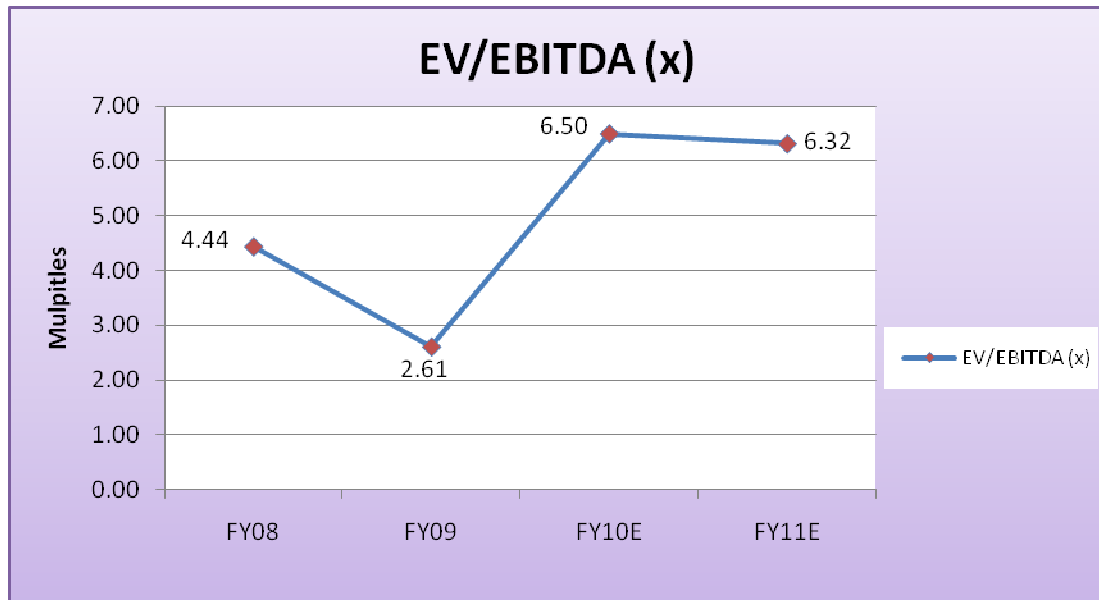
- P/E Ratio (x)



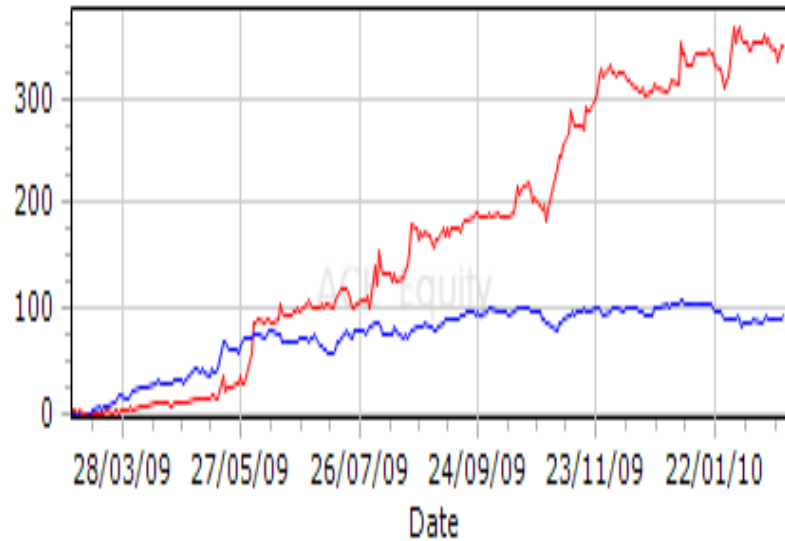
- **P/BV (X)**



- **EV/EBITDA(X)**



1 Year Comparative Graph



BSE SENSEX

Hawkins cookers Ltd

Outlook and Conclusion

- At the market price of Rs.719.90, the stock is trading at 9.24 x and 8.15 x for FY10E and FY11E respectively.
- On the basis of EV/EBDITA, the stock trades at 6.50 x for FY10E and 6.32 x for FY11E.
- Price to book value of the company is expected to be at 5.60 x for FY10E and 3.32 x for FY11E respectively.
- EPS of the company is expected to be at Rs.77.92 and Rs.88.35 for the earnings of FY10E and FY11E respectively.
- The company's top line and bottom line are expected to grow at a CAGR of 17% and 61% over FY08 to FY11E.
- The Company operates in a single segment, manufacture, trading and sale of Kitchenware.
- The company continued its efforts on product development with more emphasis on research and development activity.

- The company has declared a dividend of Rs 20/- (Rupees Twenty only) per Equity Share for the year ended March 31, 2009.
- We recommend 'BUY' with a target price of **Rs.820.00** for medium to long term.

Industry Overview

Consumer durables are the products whose life expectancy is at least 3 years. These products are hard goods that cannot be used up at once.

The consumer durables sector can be segmented into consumer electronics, such as, VCD/DVD, home theatre, music players, color televisions (CTVs), etc. and white goods, such as, dish washers, air conditioners, water heaters, washing machines, refrigerators, etc.

With the increase in income levels, easy availability of finance, increase in consumer awareness, and introduction of new models, the demand for consumer durables has increased significantly. Products like washing machines, air conditioners, microwave ovens, color televisions (CTVs) are no longer considered luxury items. However, there are still very few players in categories like vacuum cleaners, and dishwashers.

Consumer durables sector is characterized by the emergence of MNCs, exchange offers, discounts, and intense competition. The market share of MNCs in consumer durables sector is 65%. MNC's major target is the growing middle class of India. MNCs offer superior technology to the consumers, whereas the Indian companies compete on the basis of firm grasp of the local market, their well-acknowledged brands, and hold over wide distribution network. However, the penetration level of the consumer durables is still low in India. An important factor behind low penetration is poor government spending on infrastructure. For example, the government spending is very less on electrification programs in rural areas. This factor discourages the consumer durables companies to market their products in rural areas.

Sector outlook

There has been strong competition between the major MNCs like Samsung, LG, and Sony. LG Electronics India Ltd. has announced its extension plan in 2006. The company is going to invest \$250 million in India by 2011 and is planning to establish a manufacturing facility in Pune. TCL Corporation is also planning to establish a \$22 million manufacturing facility in India.

The Indian companies like Videocon Industries and Onida are also planning to expand. Videocon has acquired Electrolux brand in India. Also, with the acquisition of Thomson Displays by Videocon in Poland, China, and Mexico, the company is marking its international presence.

According to isuppli Corporation (Applied Market Intelligence), country's fiscal policy has encouraged Indian consumer electronic industry. The reduction on import duty in the year 2005-06 has benefited many companies, such as Samsung, LG, and Sony. These companies import their premium end products from manufacturing facilities that are located outside India.

Indian consumers are now replacing their existing appliances with frost-free refrigerators, split air conditioners, fully automatic washing machines, and color televisions (CTVs), which are boosting the sales in these categories.

Some companies like Samsung Electronics Co. Ltd. and LG Electronics India Ltd. are now focusing on rural areas also. These companies are introducing gift schemes and providing easy finance to capture the consumer base in rural areas.

Growth rates

The sectors that are projected to achieve 'excellent' growth rates of more than 20 per cent in terms of quantity produced are: air-conditioners (25 per cent), split air-conditioners (60 per cent), frost-free refrigerators (54 per cent), washing machines (20 per cent), fully automatic washing machines (35 per cent), microwave ovens (35 per cent), high-end flat panel TV (100 per cent), LCD TV (110 per cent), plasma TV (100 per cent) VCD/MP3 (20 per cent), DVDs (25 per cent), DVDs-organized (25 per cent).

There is a need to remove some anomalies affecting the growth of the industry, the survey pointed out.

Consumer electronic manufacturers were of the opinion that in the era of digital convergence, differential taxation policies for IT and consumer electronics products create distortions and anomalous situations.

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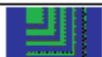
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