



## MORNING FARSIGHT

Wednesday, November 28, 2018

**HAWKINS COOKERS**

**CMP:RS 2837**

**TRGT:RS 3200**

**TIME HORIZON: 1 YEAR**

Hawkins Cookers, one of India's largest players in the pressure cooker (81% of revenues) and cookware (19%) segment, with three factories in Thane (Maharashtra), Jaunpur district (Uttar Pradesh) and Hoshiarpur (Punjab) and PAN India distribution network, supported by 5,050 dealers, is looking a good buy, due to strong underlying growth currently being witnessed by Pressure Cooker Industry due to Ujjawala Scheme (The government has revised the target to 8 cr, with Budget allocation of Rs12,800 cr, from 5 cr LPG connections), one of the highest EBITDA margin of over 15% (largely at par with TTK Prestige), capital efficient business model, generating robust return ratios (RoE: 70% and high asset turnover (10x) and a lean balance-sheet, with net cash of Rs 27 cr. The company has approximately 75 models of pressure cookers in 12 different varieties and are marketed under the flagship brand, Hawkins, as well as under Futura and Miss Mary. For 11FY19, company has achieved Revenue Growth of 16% to Rs 296 cr, which is higher than TTK Prestige's Cooker Segment revenue growth of 14% at Rs 367 cr. Company's EBITDA is placed at Rs 45 cr against Rs 30.5 cr YoY, a growth of 45% YoY with healthy EBITDA margin of 15.2%, which is one of the highest in the Industry. Company is in very safe hands of Mr. Subhadip Dutta Choudhury, who is having excellent academics and experience, with B Tech in Electrical Engineering from IIT Kharagpur and a Post Graduate Diploma in Business Administration from IIM Calcutta. As on July 1, 2018, there are 23.5 cr LPG consumers in the country. As soon as a household gets a LPG stove connection, one of the first appliances they buy is a pressure cooker. Further, one must note that Kerala floods had impacted Cooker sales severely in Q2FY19, as Onam Festival (15 August to 27th August) boosts sales for Cookers in Q2 every year, and this was missing this year, despite this, performance of Cooker Industry is robust (TTK Prestige and Hawkins Cooker both reported robust earnings). Company having annual income of over Rs 600 cr is currently ruling at Market Cap of Rs 1,500 cr, which is seen attractive while PE of 25.3x on FY19e EPS of Rs 112 is also not demanding. Share ruling at Rs 2,837 can move to Rs 3200 in 1 year.

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