

**Hawkins Cookers Limited**  
**Annual General Meeting**  
**July 29, 2011**

*The Limits to Growth*

**Speech of the Chairman**  
**Mr. Brahm Vasudeva**

1. My dear shareholders, ladies and gentlemen: I am very happy to see you all at our fifty-first Annual General Meeting. I trust all of you are pleased with the results for the year ended March 2011 and our recommendation for a dividend at the rate of 400% or ₹40 per share.
2. Those of you who have read our Directors' Report for the year 2010-11 may remember the following statement: "Despite our pressure cooker production increasing from 28 lakh units to 31.4 lakh units, we were not able to supply fully the demand for our pressure cookers. Similarly in cookware our demand has been substantially more than our ability to supply. Management is working with full vigour to increase supply to match demand."
3. In my speech to you today, I would like to explain what are the constraints that limit our ability to increase the supply of our products to the level that is required by the demand in the market *and* what we are doing to deal with the constraints. Before I start my analysis, I would like to remind you that *all* businesses face some constraints or the other – whether or not they would like to admit them! I believe it is better for a business to face its constraints openly and boldly and work resolutely to deal with each of them systematically over a period of time. It is in this spirit that I present to you my analysis of the constraints faced by Hawkins Cookers Limited currently.
4. I would like to begin by stating a shortlist of the key success factors that are *not* constraints in the Hawkins business.

First. There are no legal constraints. Thank God we are not hemmed in anymore by the License/Permit Raj – as we were at one time in the distant past. Our products are legal, safe and beneficial for consumers, the environment and the national economy.

Second. There are no financial constraints. For what we need to do, we have plenty of money. Our working capital requirements as well as our capital expenditure requirements can be well provided from within the resources already available to us.

Third. There are no technological constraints. In our field of pressure cookers and cookware, we have better technical know-how than most companies in the world. We have developed this expertise through long years of experience in our factories and through home-grown R&D. Further, we have paid good attention to the experiences of our consumers and the flow of traffic in the over 700 Hawkins Authorised Service Centers. Finally, whenever we require new technology, suppliers of machines and materials are only too keen to provide it.

Fourth. The market is not a constraint. I have always believed that it takes longer to build a market than to build a factory. What I have recently found out is that there comes a time when demand begins to soar, as it were, on its own – like an aircraft that crosses take-off speed on the runway. I must confess that the growth in market demand for our products in the last year or two has surprised me most pleasantly. With hindsight, I can say that the recent rate of growth in the demand for Hawkins products is mainly the result of the combination of three factors:

- The faster growth in consumer income
- The trend towards better brands which follows from the “revolution of rising expectations” and
- Hawkins’ long years of focus on better product design, better product quality and better consumer service.

5. Our situation is such that I am reminded of a statement in *Julius Ceasar* by Shakespeare: “There is a tide in the affairs of men which, taken at the flood, leads on to fortune...”. So, *what* is the problem? Once again, I am reminded of a statement in the same play: “The fault, dear Brutus, lies not in our stars but in ourselves that we are underlings.” In our case, the constraint is not legal, financial or technological – the main constraint is the human resource both in the company and with our vendors.

6. Our strategy is to increase our production through a judicious mixture of the development of in-house and out-house capacity. This requires appropriate increases in manpower of various types and at various levels within the company as well as the development of existing and new vendors. And if we are to ensure that we take in the right quality of people and build up the right quality of vendors, it takes planning and effort by the senior-most managers in the company as well as a fair amount of time to achieve the desired results.

7. How is Hawkins going about the task of strengthening and expanding its human resources? I would like to answer that question in two parts. One part is how we build up people who are already in the company after careful selection. Occasionally, we find that we have made a mistake in selection and we have to ask people to go in order to maintain the required standards in management. But, for the most part, we train people rigorously, give them real, demanding jobs and in due course promote them as far as they can go. An example of the working of this policy is our Vice Chairman & CEO, Mr. Dutta Choudhury, who joined Hawkins as a management trainee 19 years ago.

8. The other part is what we are doing to expand in-house and out-house human resources currently. The process starts with the advertising of requirements in the national press. In the last financial year, we have spent ₹1.54 crores for advertising our personnel and vendor requirements in 50 newspapers to purchase a circulation of 30 million copies. These advertisements produced approximately 23,000 applications. After a careful scrutiny of each of these applications, candidates for jobs in the company were shortlisted and invited to appear for written tests at 17 centers all over India. 5,857 candidates actually sat for the written tests. Thereafter, further shortlists were made and candidates for the management trainee and more senior positions were invited to Mumbai for group discussions and final interviews in which the selection panels included one or two executive directors and myself. 302 candidates actually appeared for such interviews in Mumbai from all over India. 51 of them have already been recruited as management trainees and another 21 are in process for recruitment to more senior jobs. Additionally, 18 shop-floor level factory workers have been recruited after a process that included a written test, a 5 km race, practical tests in the factory and a group discussion and personal interview.

9. In Hawkins, the strategy is better implementation. In order to execute our strategy, we have undertaken these tasks on a gigantic scale to strengthen and expand our human resources, in-house and out-house.

10. Meanwhile, I must express my profound gratitude to all of you, dear shareholders, for the steadfast confidence you have reposed in our Company and the Team Hawkins through thick and thin. As many of you may know, Hawkins was started by my father, Mr. H. D. Vasudeva, in 1959 as a private limited company with a share capital of ₹20,000. The Company went public in 1978 at ₹12.50 per share and a total market value of about ₹1 crore.

11. The average daily closing price of the Hawkins share at the Bombay Stock Exchange in July 2010 was ₹1,120 per share which projected a market cap of ₹592 crores. In the period July 1 to July 27, 2011, the average daily closing price of the Hawkins share is ₹1,725 – which projects a market cap of ₹912 crores. The increase in the share price or the market cap between July last year and July this year is 54%. The increase in the same period in the Sensex is 4.6%.

12. The financial results of the June quarter of 2011-12 are good. Net sales are ₹74.4 crores, up 20.5% over the June quarter in the previous year. Net profit after tax is ₹7.3 crores, 9.9% less than the June quarter in the previous year. Coincidentally, the net profit after tax as a percentage of sales in the June quarter of 2011-12 is 9.9% which I believe is satisfactory. I would like to mention that net profit after tax as a percentage of sales in the full year 2010-11 was 9.2%.

13. Thank you for listening to my thoughts with such interest.