

**Hawkins Cookers Limited**

*50 Years of  
Marching to a Different Drummer*

**Speech at the  
Fifty-ninth Annual General Meeting  
August 6, 2019**

1. My Dear Shareholders, Ladies and Gentlemen: I am very pleased to warmly welcome you to our fifty-ninth Annual General Meeting. I trust all of you are pleased with the results for the year ended March 2019. Our Revenue is 17.3% higher than the year ended March 2018, our Net Profits are up 11.4%. We are recommending a dividend of Rs.80 per share – the highest ever in the history of our Company.

2. The financial results of the June Quarter of 2019-20 are excellent. Total Revenue in June 2019 at 143 crores is up 17% on June 2018 and Net Profit after tax at 13.7 crores is up 28% over the June Quarter of the previous year. The results are all the more remarkable as they have been achieved in the times where a general slowdown is permeating Indian businesses.

3. Every year at the AGM, we take an opportunity to explain our strategies to produce the best possible results. This year, I wish to highlight a few facets of the business where Hawkins does not conform to the majority of other companies. We plough the lonely furrow, as Gurudev Rabindranath Tagore sings – *Ekla Chalo Re*. I will explain some of these singularities and the underlying rationale, hoping that when you look closely you will see the solid reasoning and thinking that has gone into these decisions.

4. In India, of late, we have seen the unfortunate downfall of quite a few large and many small companies, much of it caused by loans which can't or won't be repaid. It reminds me of a time when Hawkins was considered very stodgy because we did not borrow aggressively to invest in some big expansion project or the other. It is not that we don't have any ambitions. It's just that we prefer to fuel our ambitions with our own money, not with hot money that has to be returned when you need it most. We are well funded by you shareholders and our internal accruals and we ensure that without a huge debt we have enough to expend and expand as needed to supply the demand.

5. We also are uncomfortable about other people using our money. We run a tight ship on collections. We have a record of collecting 99.996% of our dues without fail. We are not in the habit of "buying" sale with unlimited credit or credit to suspect parties. We give lucrative discounts for paying upfront and so a substantial part of our business is run on full advance. Therefore, we have not been majorly affected by the credit squeeze that has largely crippled the economy currently and this is evident in our recent excellent results.

6. We really believe in serving our customers who trust Hawkins. This prevents us from picking up doubtful merchandise from China, putting our name on it and increasing our revenue. Michael Porter, of Harvard, arguably one of the best thinkers on business, defines strategy *as choosing what not to do*. Hawkins chooses not to put its name on anything that is not of the highest quality and the best design. This strategy has ensured that we have steadily gained market share in pressure cookers and cookware, our chosen fields of excellence where we have grown at twice the rate of our nearest competitor in the last five years. What we do, we try to do well and we will only do other things once we do them well.

7. There are many other aspects of our business which we do differently. There is not enough time to talk meaningfully about all of them. I will talk to you this time about a humble facet of our operations which, I believe, permeates our culture and, in a substantive manner, defines the products we make, the people we employ, the results we produce. This is a simple one-word – ‘Testing’.

8. Every pressure cooker that goes out into the market is tested, with its lid in place, by dipping it into water to ensure that it does not leak. To my knowledge, no other pressure cooker manufacturer in the world does this. Largely because it’s a messy thing where you have to immediately dry the cooker, otherwise you will get water marks. Other than this, there are 25 tests that are done on randomly selected finished pressure cookers and a similar 25 other tests on cookware, results published and incentives paid and penalties collected every 45 days. And it is not just the finished product – the raw materials, the packaging, the safety valve, the gasket, the anodising, every aspect of the product is tested rigorously.

9. Product testing is not only at the manufacturing level but also at a product idea level when we deal with new products or product innovations. We believe in extensively testing the prototype in our Test Kitchen where we use the product as a consumer would use, and find out how the product performs. Does the handle get too hot? Does the food burn at the base? Can you pour without dripping? OK water pours fine, but what about milk? Milk is fine, but what about *Rasam* – those tiny floating bits? This relentless validation is key to our new product development and many an otherwise promising product idea has been killed in our Test Kitchen because it does not meet our exacting standards. However, it also means that every product that passes the Test Kitchen comes with the assurance that it will be a pleasure to use in the consumers’ homes. The fact of our rigorous testing is well-known amongst our dealers and that is why, when we launch any new product, there is a huge response from them and we often end up distributing a new product in 90 days to more than 3000 outlets around the country.

10. It is not only products that we test, it's also human beings. Every human being that we employ today has come through a test, not just a viva or interview but a written test. 27 years ago, when I joined this Company, I had to take the Hawkins written test even though I was a product of IIM and IIT. We also make each applicant write an essay in his own handwriting on why he wants to join Hawkins. In this day and age of fleeting attention spans, this rigour of the written application and test has served us well. Even today, anyone we recruit from the Vice President to the worker has to go through a written test. Incidentally the worker also has to run 5 kilometers in less than 30 minutes, the Vice President is spared this.

11. We also put each recruit through a rigorous test during his 18-month training period. All Technical Management trainees in Hawkins have to work six months as a worker on the shop floor, a trainee in Marketing or Sales will spend a year in the field. Not all of them survive. But our culture requires that those who cannot pass the test of doing frontline work in the factory or in the field themselves can never become managers of those that do.

12. The third set of things that go through this testing process are ideas like Marketing Schemes and Advertising campaigns. At the end of each advertising campaign we review them against hard Sales data. If the idea did not produce sales, we throw it out without any second thought, even if one of us had championed it. The same is true for our Marketing Schemes. We test their efficacy every six months against irrefutable sales data. We are, at heart, a data-driven organization and like Darwin's Survival of the Fittest works in nature – red in tooth and claw, we are merciless about killing bad ideas.

13. For our people, products and postulates – once we have tested them – and they pass – the action hots up. We scale up and put our entire manufacturing skill, our full distribution strength and our substantial brand power to make it a resounding success. The persons who do well are incentivized and the capable get higher responsibilities. This is how we have built methodically and painstakingly our solid reputation and results.

14. Hawkins, the way it has been run by our Chairman over the last 50 years reminds me of Henry David Thoreau whom Gandhi admired, from whose Walden, I have borrowed the title of this speech, "*If a man does not keep pace with his companions, perhaps it is because he hears a different drummer.*" Finally, I wish to thank all of you, dear shareholders, for having marched along with us to the beats of a different drummer, creating great value, making good profits, earning great dividends, but in a reputable, upright manner all along the way. Thank you very much. Let's keep marching ahead together.

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