



Hawkins Cookers Limited

***The Risks and Rewards
of Real Research***

**Chairman's Speech
at the
Sixty-Fifth Annual General Meeting
August 6, 2025**

Dear Shareholders,

1. A warm welcome to all of you, my fellow Shareholders, my fellow Employees and my fellow Directors to our Sixty-Fifth Annual General Meeting. Let's start with the first quarter results. We have grown 5% on the topline – somewhat subdued due to disturbances like the India-Pakistan mini-war and topsy-turvy tariffs. The profit growth is about 4%, impacted by the record high prices of major raw materials. In this increasingly uncertain world, even challenges are constantly changing. Thankfully, raw material prices are trending downward. We have also taken a modest price increase recently, which should serve us well.

2. With the short-term discussion done, let me talk about the long-term business. Each year I try to speak about one strategic aspect of Hawkins. Last year I spoke about our people, how they are an integral part of our success. In the last year we have started a 360° evaluation and a junior management profit-sharing scheme. Hopefully this will make them more involved in the risks and rewards of action and inaction. In Hawkins, senior management all the way to the CEO already bear the risk and rewards by way of commission of profits. Some of us have more than 80% of the cost-to-company as a variable and dependent on the profits. That is a key strength of Hawkins – not only shareholders, but employees all the way down, have skin in the game. However, this year I wish to talk about another aspect of the risks and rewards for the Company on the subject of Research.

3. R&D, as it is often shortened to, is usually spoken of in the same breath. They are, though, two different animals. Research is to find something new about which we did not know before. Development is using that knowledge to improve or launch a product or service that will benefit the Consumer. Not only are the processes different, the temperaments of the people are too. Research needs people who are curious and have an itch to understand. They are often not too bothered about the feasibility or usability of the end result. The questions that keep them up at night are: How to set up an experiment? How to interpret results? How to reduce variables in order to understand a phenomenon? Why is this experiment giving an anomalous result?

4. The persons in development are trying to make a practical product out of a research insight. Their creativity lies in making a working prototype. Which machine or factory or vendor can do this part best? How will we assemble all these? How to make the feature consumer friendly? What is the most efficient way to manufacture this? Which grade of materials will give the best results? In how much time can we launch this?

5. For a company making genuinely new products, both are needed. Additionally, there is an allied area that supports R&D in Hawkins. Testing. We are indefatigable testers. We have around 21 full-time persons testing different aspects of various products. In the factory we do accelerated testing. Say, we move up and down a weighted cooker body 20,000 times in order to test the handle. We once cooked 2,000 batches of *jeera* rice to test a coating. Just like a good athlete is not afraid of training, we are not afraid of testing.

6. All our testing is not done in the factory. In our Marketing office, in a separate location and with a different temperament from the R&D Centre, we have a Test Kitchen. They test

like a consumer. They are not bothered about the great research, the clever development that the factory R&D is excited about. They, like a consumer, use the product and cook some food and feed some people. Then they make critical comments on the product with veto power. There is a thumb rule in Hawkins that if R&D makes 70 new products, about 35 will go past the Test Kitchen without modifications.

7. The full process is exhaustive and exhausting. The markets only see the top part of the iceberg. The Final Product. The 90% of the effort which lies below the surface is not visible. That is how great products, which the dealers and consumers trust, are made. We are not only proud of this process, we also feel that this is integral to our brands' success. Today every Company is into everything, desperate for the last basis points of growth. It is not difficult to get pressure cookers and cookware contract-manufactured. It is not difficult to import the world's appliances from China. What is difficult is how to create the culture of testing, the culture of solving problems, the culture of chasing understanding. Not many companies in India do it. Hawkins spends 9.2% of its net profit in R&D. Major listed competitors in our line of business spend less than 5%. So why does a utensil business need to spend so much on R&D, surely we are helping to make potato chips not semiconductor chips?

8. Brands can be supply chain brands or R&D based brands. Both are enduring competitive *moats*. They take long to establish and, therefore, endure. Hawkins is in the unique position of having both *moats*. We are both, a supply chain brand – with 10,000 direct dealers and an R&D brand with constant innovation. This year we launched a new electronic kettle – an exceptional product made entirely at our factory in Thane. I am proud of the team that did it – we sold so many kettles at a high MRP of Rs.2750 during the launch in February that we have completed the supply of launch orders just last week.

9. Are we doing the right thing by spending 10 crores on R&D? Would it not be better spent in other areas? or even better, saved or given as dividends? Personally, I find the story of the United States of America very instructive. The lure of a cheaper supply chain led America to slowly move out their manufacturing to other countries, mainly China. Some would argue that it is not even done slowly – they did it in a hurry to chase quarterly numbers and Wall Street investor demands. Within two short decades – USA now needs to impose a minimum of 50% tariffs in order to even hope to compete with Chinese products. For the last three years, China has even overtaken USA in number of patents. It does not seem to be sensible to have the supply chain in one place and innovation in another.

10. We believe that R&D cannot flourish without close contact with Manufacturing and Marketing. R&D is the core DNA of your company, which cannot be subcontracted without the substantial risk of your supplier becoming better than you or the online retailers selling lookalikes. R&D gets its fodder from manufacturing. Manufacturing learns from facing real life knotty problems. Remember, you can't make an omlette without breaking the egg.

11. In today's world it is easy to proliferate a procession of new products. New designs can be just a change in the plastic or colour. Such designs come and go. We don't want to fool ourselves by producing small design variations and selling the previous year's product at clearance discount the next year. Our bias is towards new products that make a place of their

own, rather than being flashes in the pan. To avoid that temptation, we use a different metric – Long Term New Product Performance, which is the percent of turnover in the year which has come from products launched in the last five years. On this metric, a few years ago, we were at 12%, last year it was 25%.

12. This approach of investment in R&D is risky because the chances of failure are higher. The consumer wants a good product. They are not interested in whether the product or its parts are made in China or India or the USA. They are only interested in whether the product will perform. India has now introduced BIS for many product categories which has made imports tricky. We are nicely poised as one of the very few companies in our industry that has the culture and experience of making in India. But will we be able to compete with other countries? I take heart from the fact that most of you have never seen an imported pressure cooker in India. We make to world standards competitively; we don't need 50% tariff to survive.

13. The research aspect comes in here. Research is not just design. Research is reliability. Research is better materials. Research is testing and interpreting carefully test results. Research is cutting unnecessary costs. Research is searching for better solutions in manufacturing methods. Research is looking at the consumers with empathy and accepting their idiosyncrasies. Research is being dissatisfied with past success and questioning holy cows. That's how we stay competitive.

14. Research, like any enduring competitive advantage, does not give immediate results because, if it was so, everyone would do it and it would not be a *moat*. To pick up an analogy from our lives, eating healthy or dieting does not give you results the next morning. Countries, Companies and Cultures that place a premium on research, do so knowing that it takes time. It's like bringing up a child. Not only does it take a village, it takes a patient village to nurture a child. I can see that there are more patient Shareholders who are convinced that we have a method in our, dare I say, madness – last July there were 15,800, this year there are 18,400.

15. So there we are: taking a high risk by trying to innovate, putting a lot of effort into improving cookers and cookware and now entering new categories like kitchen electricals. Whether we will succeed, we don't know. What we know is that we will not sell anything without satisfying ourselves that it is world class. We will not compromise on quality or materials. The only thing that we hope for is that this will give the consumers something that will delight them. In that, if we are successful, my Dear Shareholders, we will build your Company and grow your investment. That in short is our research strategy. In conclusion, as a nod to the often requested guidance about the future, let me leave you with V. S. Naipaul '*I believe that the present, accurately seized, foretells the future.*'
