

Hawkins Cookers Limited

Crossing the River by Feeling the Stones

**Chairman's Speech
at the
Sixty First Annual General Meeting
July 29, 2021**

Dear shareholders,

1. It is so good to see you all – though virtually. How our world has changed in the last couple of years! This is our second virtual AGM. While we miss the physical meetings – the virtual meetings allow more shareholders to join from all parts of India and even the world. *Udaracharitanam tu Vasudhaiva Kutumbakam*. The broad-minded see the World as Family.

2. Our earlier Chairman, Mr. Brahm Vasudeva, used to often say this. He used to enjoy the similarity between his surname Vasudeva and *Vasudhaiva*. He also literally lived it. Susan, his wife, is all the way from Seattle – the antipode of Mumbai. He treated all his dealers, his employees, his associates, his shareholders as his family. In business also, he taught us to look outward – compete with the world, learn from other countries and cultures – by keeping open our window to the world. Our Annual Report, of which we have sent a physical copy to all shareholders, is our tribute to the Man, the Manager and the Movement he nurtured called Hawkins.

3. It is remarkable how his single-minded strategy of Make-in-India, while keeping the window to the world open, has helped us in these uncertain times. We have gained from “*Atmanirbhar Bharat*” as we were the only large kitchen appliances brand to exclusively Make-in-India. This comes out of two strategic insights. One, if you want to make good quality – you have to oversee the full process – not just the end product. Secondly, if you want to get a lasting competitive edge in R&D, New Product Development, Design, Innovation, you can’t outsource your manufacturing. See how large swathes of the US Industry is now finding that China has better technology in some areas. It is now filing more patents than the US.

4. In the current year we have not only continued to Make-in-India, we have also brought in some of our manufacturing in-house – like Cookware. Our Cookware used to be only made by vendors because the Indian government had reserved cookware for the small scale sector. Now it is no longer reserved and we have started making Cookware in-house in all our three factories. We have plans to expand our manufacturing capacity.

5. The pandemic has opened our eyes to the possibility of unplanned disruptions. Not only have we started making Cookware in all our three factories, we have also started making most models of Pressure Cookers in all our three factories. We have started a project to find vendors close to the respective factory. The aim is that if an area or region of India is shut down, the others can keep the show going – each factory becomes self-sufficient.

6. Running the factories has been a challenge since the pandemic broke. Our approach has been to keep factories running as far as possible, keeping our workers' safety in mind and following all regulations and precautions. So also in the market – if the markets are open, we are physically present. In times of uncertainty and disruption, just being there is more than half the battle won. We believe in coming to work whenever possible. While we are facing supply disruption from upstream suppliers, we are doing our best to supply the market.

7. Shortages have become more frequent, and not only because supply is disrupted. Demand is excellent. In these times, the one temptation that we have to safeguard against is dilution of quality as supply struggles to keep up with demand. We have been keeping up our quality standards – nay, improving it. Quality, like a lot of things in life, cannot be just maintained. It can either be improved or it can deteriorate. It seldom stays the same. In the recently concluded negotiations with our workers and unions in our three plants, we have introduced a graded Quality Incentive – upto Rs.500 per month per worker if the plant achieves a good level of quality. I don't know of many companies that would attempt it, especially in the face of supply challenges. As undisputed Quality leaders, with the ISI Mark requirement having been made mandatory for Pressure Cookers in India, we believe this focus on quality will benefit Hawkins.

8. In order to explain our view on the times, I will borrow from evolutionary theory. Two American paleontologists, Stephen Jay Gould and Niles Eldredge, had come up in the 1970s with a theory called *Punctuated Equilibrium*. The premise is simple. When they looked at the fossil trail, they found that for large periods of time, nothing changes and then suddenly there are rapid changes – new species develop, some become extinct, some become dominant – and then, after the upheaval, again there are long periods of relative stasis.

9. These periods of upheaval are often created by external turbulences – the Dinosaurs got wiped out because of a meteor hit and we mammals came out of the shadows. In business too, the market shares and positions of dominance are seldom disturbed in a competitive market. Other than misconceived mergers or misled diversifications, in an usual competitive market with well entrenched players nothing much changes – equilibrium is the default position.

10. Except when there is an upheaval. A disturbance. A pandemic to punctuate the placidity. A dust storm where the vision is occluded and when the dust settles at the end of the storm, the landscape looks very different. As Bob Dylan sings – “*The times they are A-changin’*”... “*Then you better start swimmin’ or you’ll sink like a stone, for the times, they are a-changin’*”. Major changes in the market share may

happen in two years that did not happen in twenty. And then it will probably settle down to the quotidian regularity of marginal movement for years to come.

11. We in Hawkins are carefully watching the changing times. And rowing the boat while watching closely the islands of opportunities and the cesspools of risk that have been thrown up by the pandemic. It is exciting, it is dangerous, it is uncharted territory. Things may not go to plan, you can take nothing for granted. The temptation to play safe is high but the upside of brave decisions is tremendous. Every act is dicey! Do we conserve cash? Do we invest? Do we expand? Do we consolidate?

12. Our first Quarter results, despite various constraints, are excellent – sales up 50% and profits up 181% over 2020 Quarter 1. It looks like a step in the right direction. Even the sales growth over 2019 Quarter 1 is 6.6% and the profit has grown 10.4%. However, galloping raw material prices are a major cause of concern. Keeping in mind all these aspects, I am pleased to inform you that the Board at its meeting held today has declared an interim dividend of Rs.90 per ten rupee share for the shareholders.

13. We believe the pandemic will (to borrow from the ongoing Olympics) make Hawkins *Citius, Altius, Fortius*. Faster, Higher, Stronger. To end this talk, in the spirit of *Vasudhaiva Kutumbakam*, I import not a product, but a strategy from China. Deng Xiaoping, who was the Premier of China after Mao Tse Tung, was fond of characterising his approach – *to Cross the River by Feeling the Stones*. We hope to see you all next year on the other side of the river. Till then, stay safe and watch the points of change – because, like it or not, the equilibrium is punctuated.