

BAJAJ ELECTRICALS

Bright outlook

Bajaj Electricals, a leading player in consumer appliances, is focusing on Engineering and projects as a new growth centre. Going forward, the company plans to focus on penetrating rural markets in the coming years to expand volumes for its electrical appliances and utility products.



Our engineering and projects, appliances and Morphy Richards business units will be the mainstay in terms of creating bigger volumes."

— R. Ramakrishnan

Bajaj Electricals, which has long been known for its consumer appliances business, is becoming a power engineering player with its Engineering and Projects (E&P) division making its presence felt in the transmission line tower and rural electrification business.

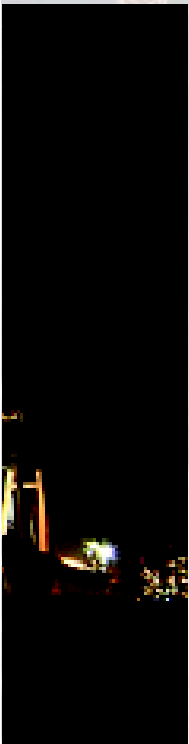
"Our company is the undisputed leader in turnkey illumination projects and high mast lighting system, including design, supply, installation, testing and commissioning, says Mr. R. Ramakrishnan, executive director.

The turnkey engineering job covers a wide spectrum of locations such as airports, shipyards, port trusts, railway yards, sports stadium, monuments, commercial complex, super thermal power stations, substations, petrochemical complex, refineries, flyovers & street lighting. Some of the prestigious projects handled by the E&P division include the illumination of Bandra-Worli Sea-Link & Wankhede Stadium in Mumbai and Maharani Usha Raje Cricket Stadium at Indore. The E & P division also lit up Delhi for the 2010 Common Wealth Games.

"Engineering and Projects (E&P business unit) is too much of a critical mass. One third of the company's turnover, but close to 40 per cent of the companies profits are from E&P", maintains Mr. Ramakrishnan.

"The E&P division is currently working on an order of Rs. 56 crore for Raipur, lighting 72,000 homes and a Rs. 20-crore order for Mahasamund giving light connection to 11,000 homes. The Special Projects Division has received orders for station lighting packages for 8 new thermal power stations with total power generating capacity of 5700 MW," reveals Mr. Ramakrishnan.

Bajaj Electricals, a 72-year old trusted company with a turnover of Rs. 2252 crore is part of the Rs. 30,000-crore Bajaj group. The group, which traces its history to pre-Independence India, has interests in automobiles



(two-wheelers and three-wheelers), steel, sugar and financial services including insurance, besides lighting and luminaires.

Bajaj Electricals has, besides E&P, five major strategic business units: home appliances, fans, lighting, luminaires and Morphy Richards. It is also in the business of manufacturing, erection and commissioning of transmission line towers, telecom towers, mobile telecom towers and wind energy towers. Export of all the company's products, except of its engineering and projects business unit, is taken care of by the group company - Bajaj International Pvt. Ltd.

Bajaj Electricals is a market leader in small appliances category, offering a wide range of brown goods including microwave ovens, room coolers, water heaters, oven-toaster-grillers, juicers, mixer-grinders, food processors, steam and dry irons and water purifiers. Bajaj is India's first brand in small appliances to have crossed the Rs. 500-crore mark and sold over 5.3 million appliances in 2009-10.

In fans, Bajaj is the third largest player in India with over 16 per cent market share, with sales of 42 lakh fans worth Rs. 379 crore in 2009-10. It offers an attractive range of ceiling, table, pedestal, wall-mounted, exhaust and fresh air fans. Recently, the company has launched heavy duty exhaust fans for industrial units, as well as pumps and motors for domestic use. This business unit also makes pumps for rural areas and has recently ventured into manufacture of generators.

Bajaj Lighting is one of the largest players in the industry with net sales of Rs. 261 crore in 2009-10. This business unit markets a wide range of light sources and domestic luminaires. The range includes general lighting service (GLS), fluorescent tube lights (FTL), compact fluorescent lamps (CFL), special purpose lamps and consumer luminaires.

Bajaj Electricals has invested in Starlite Basic, which has installed the world's fastest CFL chain. This chain is from GE Hungary for T3 CFLs and is capable of producing 2400 pieces per hour. The annual capacity of Starlite for CFL production now stands at 40 million pcs. The company has also launched LED lanterns for Rural India and has recently launched the Bajaj Miniz CFL - Small CFLs with Powerful lighting nationality.

The Luminaires (light fittings) Business Unit of the company is the 2nd largest player in the industry with net sales of Rs. 275 crore. Its range of products covers commercial, industrial, flood lighting, street lighting and post-top lighting besides special luminaires for flame proof and increased safety applications.

The Luminaires BU has technical tie ups with Trilux Lenze of Germany (for Luminaires), Disano of Italy & RUUD Lighting USA for High End Lighting & LED solutions, Delta

Controls of Canada (for Building Management Systems) and Securiton of Switzerland (for Security Systems). The Luminaires R&D Centre is approved by the Department of Science & Technology, Government of India.

Morphy Richards is UK's No.1 brand in small home appliances such as electric kettles, coffee makers, OTGs, pop-up toasters and sandwich makers. It is being marketed and serviced in India by Bajaj Electricals since 2003 and had net sales of Rs. 73 crore in 2009-10.

Bajaj Electricals has a world class manufacturing facility at Ranjangaon, about 55 km from Pune, (Maharashtra). Besides, the company also sources fans, lighting products and home appliances from vendors through contract manufacturing, a model followed by global consumer durable makers, and the firm focuses on distribution, customer care, innovation and profit management.

Financially, the company has made a steady progress over the years. Its sales have grown from Rs. 649.63 crore in 2004-05 to Rs. 2228.63 crore in 2009-10, and the net profit from Rs. 13.84 crore to Rs. 117.09 crore. In the nine months ended December 2010, the company made a net profit of Rs. 86.33 crore on net sales of Rs. 1761.16 crore compared with a net profit of Rs. 79.63 crore on sales of Rs. 1469.65 crore in the corresponding period last year. The equity of Rs. 19.77 crore is supported by reserves of Rs. 465.35 crore.

While the consumer durables segment is expected to continue its contribution to total revenues, the company expects the E&P business unit to act as a growth engine. "Our engineering projects, appliances and Morphy Richards business units will be the mainstay in terms of creating bigger volumes", says Mr. Pravin Jathar, Executive VP & Chief Financial Officer.

The company had an order book of Rs. 1050 crore at December end, and is awaiting the outcome for bids worth Rs. 2000 crore. It recently won a Rs. 4.5 crore lighting project in Kolkata. The company plans to increase volumes in its LED (light emitting diode) lighting segment and aims to derive 4-5 per cent revenue from this segment, which now contributes just 1 per cent.

Sales of the company are expected to reach Rs. 2760-2800-crore level in 2010-11 and cross Rs. 3500-crore mark in 2011-12. While it will continue to introduce new products in the market, its projects business will receive greater emphasis, says Mr. Ramakrishnan.

Going forward, the company plans to focus on penetrating rural markets in the coming years to expand volumes for its electrical appliances and utility products. "Rural market is going to be the major thrust of the company. We have in fact already got some people specially looking into rural markets. We are also finalising a special team in each business unit to take care of rural penetration", maintains Mr. Ramakrishnan. ■