

Bajaj Electricals Set to Split Business into Two Verticals

Elevates Anant Bajaj as joint MD to lead co's new high-margin products portfolio

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Bajaj Electricals plans to restructure its business into two verticals — consumer products and business to business (B2B)— and has elevated current executive director Anant Bajaj as its joint managing director to spearhead the new venture of focusing on high-margin products.

Segments such as appliances, fans, consumer durables, lighting and Morphy Richards will now be part of the consumer products unit and will be headed by executive director PS Tandon, while luminaries and engineering projects business will form the B2B vertical, which will be managed by executive director Lalit Mehta. Both the unit heads will report to Anant Bajaj, who will take over the new responsibility from April 1. The exports division, which was so far managed by Bajaj International, will also be part of Bajaj Electricals.

With the firm growing at 26% CAGR over the past four years, what exactly was the trigger for the realignment? “This was always on cards, but now I have more authority to do it,” said 34-year-old Anant Bajaj, who had joined the firm in 1999 as a project co-ordinator.

“Like a true ‘Marwari’, we start from scratch and then take on the larger responsibility,” said Bajaj, who now wants the brand to have an international perception and focus on fewer yet higher margin products to boost profitability.

Just two years ago, its B2B busi-



Charting a Course

- **Restructure business** into two verticals - consumer products and business to business
- **Exports division**, which was so far managed by Bajaj International, will be part of Bajaj Electricals
- **Firm plans** to enter personal-care appliances business
- **Co plans** to set up a unified R&D centre in a year
- **Co plans** to add over 70 Bajaj World stores across the country



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ness accounted for over 65% of its total revenues, but the situation has changed now, and consumer products currently contributes over 60% of sales. “There have been delays in decision making on

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government's part and spending has been erratic by the private sector, impacting our project business,” said Bajaj, hoping for 50:50 contribution from each vertical in two years. The new focus would be on consumer business, which offers a better potential to expand its portfolio of high-margin products. The new structure to streamline operations and share synergies, including R&D and retail network, will do just that. In fact, the firm is planning to set up a unified R&D centre within a year to launch newer and innovative products in the appliances space, rather than have half a dozen smaller R&D bases

scattered across the country. Bajaj could also enter newer segments in the personal-care appliances segment, similar to its rivals like Philips and Braun.

The company will also jumpstart its retail operations by adding over 70 stores—Bajaj World—across the country to strengthen its retail footprint that currently has over seven stores and a distribution network of over 5,000 dealers and 40,000 distributors.

The company has plans for B2B as well. Engineering and projects division contributed 30% to the topline and 29% to EBIT of the company during financial year 2011. While the contribution to the revenue has not changed significantly over the past four years, EBIT contribution has declined to 29% in FY11 from 43% in FY07. “The company has decided not to bid for orders that offer margins beyond a certain threshold,” says Bajaj. The firm is targeting revenues of ₹3,200 for the year ended March 2012 and hope to add ₹1500 crore in the next two years to the topline.