

The trend today is to buy latest products on the spot

One of India's oldest companies operating in the market for the past 75 years, Bajaj Electricals Ltd (BEL) is a market leader in brown goods segment. Part of the over ₹38,000 crore Bajaj Group, BEL registered a turnover of ₹2,763 crore in the fiscal 2011-12. **Anant Bajaj**, joint managing director, Bajaj Electronics, spoke to **Ashish K Tiwari** about the company's overall business, competition and new developments. Edited excerpts:

Could you briefly give us an overview of the company's various lines of businesses and its market reach?

We operate six strategic business units viz. engineering and projects (E&P), appliances, fans, luminaires, lighting and Morphy Richards. The company has 19 branch offices spread in different parts of the country and a chain of about 1,000 distributors, 4,000 authorised dealers, over 4,00,000 retail outlets and over 282 customer care centres across the country. We have distribution arrangements with Trilux Lenze of Germany (for luminaires), a tie-up with Delta Controls of Canada (for

building management systems) and Securiton of Switzerland (for security systems), Morphy Richards of UK and Nardi of Italy (for appliances), Disney of USA & Midea of China (for fans). We have also invested in Starlite Lighting for manufacture of energy saving lamps (CFL). **Being one of the oldest players in the market, what has been your experience in terms of consumer taste, habits and preferences?**

The most visible change our consumers have had is that they look at a product in totality and the buying decision is not just based on its pricing. They are now comfortable paying more. Another interesting aspect is that today we are catering to two very different generations. First, our parents who have not seen anything primarily owing to the restrictive business environment in the past. Second, the current generation which is now oblivious to the restrictions. A significant part of this change has come into the market in the last decade or so and a majority of our customers today are in the

18-30 years age group. Technological advances, exposure and education levels have contributed dramatically to this change as consumers want to buy the latest product on the spot.

The market has become very competitive as well with a host of domestic and international players vying for their share. Have you seen any impact on the business?

Not really, because we have a large product line something that not many companies can offer. We are a very focussed player in the brown goods segment and we are the market leaders in this category as no one comes

even close to the size of business we have in the country. We made revenues of over a ₹1,000 crore last year mainly because the business model is such that our products have to give us a payback within three years and should enjoy a long-term market.

Of late, we have seen too many new entrants in the air cooler and fan category which has been Bajaj's



—Sudhir Shetty

stronghold for a while now.

You see these players are on the wrong side of the segment as all of them are mainly chasing the premium segment which might give you a better margin, but supporting volumes are just not there. I mean, how many people can really afford premium products? And if you look at the market, approximately 75% is sub econo-

my and economy, premium is only about 20% and the balance 5% in unorganised. There is absolutely no competition in the categories we operate and we have the highest penetration rate there.

You are not present in the air conditioning products. Is that industry very challenging?

There are two issues that make it very uninteresting for us not to get into air conditioners. One, with all the R&D to be done and costs incurred, what I get in return is reaching out to a maximum of 1% of the market. And that's not all, making an impact in this market is really crazy because costs just go through the roof. Besides, if you look at most of the players, they are having a tough time with this product category with piled-up inventory. While A/Cs are an attractive business, it is not something that's sustainable. After sales service is a headache for A/C companies. In the end, a customer will wonder why should s/he buy my A/C over the other international brands that sell globally? I mean what can you build that is not already available? If you

came with it 20-30 years ago, it might have been a success.

Tell us something about the Bajaj World outlets that you are planning to roll out?

The Bajaj World format is a retailing platform dedicated to our entire range of products. These stores will be set up as franchisee outlets with a standard layout and design. The real estate will be brought in by the dealer and we will spend towards renovation and designing. We will assure quick return on investment (ROI) of within three months to our franchise partners. We are targeting 50-70 stores in rural India.

Is research and development (R&D) crucial for the company?

It certainly is and that is the reason we will be enhancing our R&D infrastructure by setting up a new dedicated unit. While we have an R&D facility within the company, it is not very comprehensive. The R&D set-up will allow us to significantly increase the amount of work in the same amount of time. Work on the new facility is currently on and we should be making it public in coming quarters.

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