



Bajaj: back on track

Taking fresh guard

Bajaj Electricals Ltd is in the process of formulating a fresh strategy for itself even as it completed its 75th year of operation in July this year. The multi-pronged strategy will include a range of measures that includes consolidation of existing product offering, strengthening of R&D and scaling up of export share in the overall basket.

For the household consumer electrical goods manufacturer, which was incorporated in 1938 as Radio Lamp Works and renamed to Bajaj Electricals in 1960, it was a rather muted platinum jubilee celebration. For the last two years, the company has been under severe margin pressure, as its net profit plunged to ₹51 crore in 2012-13 from ₹143 crore in 2010-11 – a drop of 64 per cent. For 2011-12, the company's net profit stood at ₹118 crore. During the period, its sales also lost momentum, growing at a CAGR of about 11 per cent to ₹3,380 crore from ₹2,740 crore in 2010-11.

The current fiscal year too has not begun in a good note for the company, as it experienced one of its worst quarters in many years. The net profit in the first quarter plummeted 95 per cent year on year to ₹0.66 crore, even as the total income in the quarter was up 17 per cent to ₹783 crore. The company has attributed this poor performance to heavy losses incurred by it in its engineering & projects (E&P) business, which has been facing severe pressure for over a year now, amid the overall economic slowdown. The loss from the E&P business widened to ₹26 crore from a loss of ₹7 crore in the year ago quarter. Other businesses such as consumer appliances and lighting have also shown a rather flat growth.

"The company had to make provisions and spend money to speed up and complete old delayed engineering projects, where margins anyway were lower," says Shekhar Bajaj, chairman & managing director, Bajaj Electricals. "This has dented our overall bottom-line. Post completion of all these projects in the coming few months, things are expected to be back on track."

"We have drawn up a fresh new strategy for taking the company into its next phase of growth," adds Anant Bajaj, joint managing director, Bajaj Electricals. "Our focus will be on profit-led growth backed by a product mix based on innovation and research. Further, we would like to increase our footprint considerably in the global market reaching out to much bigger geography. This is one thing we have not done in last the 75 years." Bajaj

Electricals is looking to grow at a rate 20-25 per cent in the next three to four years.

The company is planning to scale up its exports in a phased manner. It currently exports only 1 per cent of its total turnover, even as the company's products are sold in up to 40 countries, including the Middle East, Africa and some markets in South East Asia. It aims to increase its export component to about 5 per cent in the next two-three years. In the current year, the company's exports are expected to double to about ₹70 crore, from ₹33 crore last year. It plans to create global hubs for expanding its export base in coming years. All these years, Bajaj Electricals had carried out its export activities through a group company but, from last year onwards, it has brought them back within the company.

"Global exposure will not only help the company create a hedge mechanism, but also upgrade its overall product offering to a great extent," says Ankur Bisen, vice-president, retail and consumer products, Technopak Advisors. The company intends to put up an integrated R&D centre in order to meet its objective of bringing about sustained innovation in its product basket. Moreover, it may look for manufacturing some of the critical components like motors and other components in-house to ensure better monitoring of quality. There are also moves to increase the number of dedicated vendors. It will now source products like glass lined water heaters and other consumer durables from local vendors in India than sourcing from overseas vendors.

In a significant move of its kind, the company has now decided to relook its product mix and would like to retain and add those products that can sustain growth and fetch better realisations. "We want to have more of value-added products and create a distinct differentiation for ourselves," says Anant Bajaj. "We would like to carry out a complete re-engineering of our portfolio going forward."

The company sees products such as water purifiers, generators, inverters and stabilisers as its growth driver in future. Currently, these products have a smaller presence in the company's portfolio. To beat the competition, Bajaj Electricals is also looking at strengthening its after-sales services and plans to increase its advertising spend in a big way to raise the visibility of its products in the market.

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In May 2011, Business India reported that Bajaj Electricals's was expanding its exposure to execution of turnkey EPC projects in the power and distribution space. The expansion has led to heavy losses due to delays and cost overruns