

Bajaj Electricals sees scope for growth in E&P

Says sales continue to be robust on rising demand

INTERVIEW

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Bajaj Electricals, a diversified consumer durable player has raised money from qualified institutional buyers to fund the business' cash requirements. Mr Shekhar Bajaj, Chairman, Bajaj Electricals, shared with *Business Line* his outlook on the business. The company reported a 26 per cent sales growth in the half-year ended September 2009.

What are you planning to do with the Rs 160.79 crore raised through QIP?

Our working capital requirements have been increasing significantly over the years on strong sales growth. Profits are used to meet additional working capital requirements and not much funds are available for exploring acquisition opportunities or capital expenditure. With the QIP now, we would increase our capacity enhancement in E&P (Engineering & Projects division). Possibly we will also look at some capital investment in consumer durables segment too. In the past, we had many chances for acquisition but were constrained due to non-

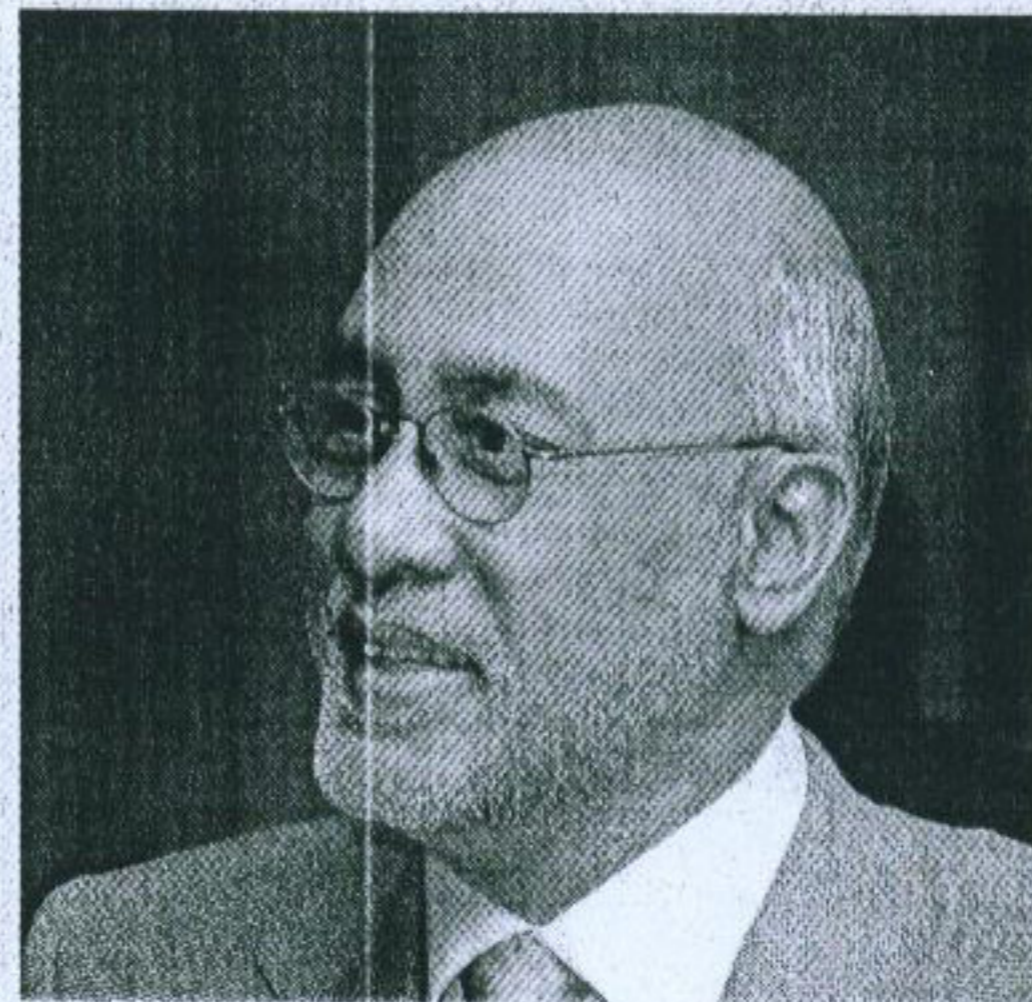
availability of funds. We will now take advantage of domestic acquisition in related fields.

What is the outlook on the business?

Our business has grown at a compounded rate of 29 per cent in the last five years. We expect growth of 20-25 per cent in future also. Rural electrification projects offer immense scope for growth for the E&P business. With an order book of Rs 850 crore as on October 1, we expect E&P to be the fastest growing business unit in the next few years. In the high masts and monopoles segment, we already hold a 65 per cent market share. Though costs are high, the E&P division will boost the company's overall turnover and also support the bottomline.

Can you share a few words on the new initiatives you are taking within each business segment?

Bajaj is considered as a value for money brand and we have been taking initiatives to keep up to expectations. In appliances, we have tied up with UK's Number one small appliances brand Morphy Richards. In Luminaries, we have a tie-up with Trilux of Germany. In table, pedestal, wall mounting fans, we have



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tied up with Midea, the world's largest fan company and selling their fans under Bajaj-Midea brand. We have also introduced Disney theme fans for the children.

Your sales have been strong in 2008-09 with

no major impact of slowdown. What do you think is driving consumer demand?

Not only in 2008-09, our sales have continued to be strong in the first six months of the current year also. Octo-

ber and November have also been extremely robust. We see two reasons:

Unlike consumer goods such as TV, fridge, AC, where one needs to consider finance options, our products - bulbs, microwaves, coolers, water-heaters etc which range from Rs 10 to Rs 5,000-6,000 are within affordable limits.

Pay Commission ruling and better commodity prices to the farm sector, have pushed up income levels in the urban and rural areas.

To take advantage of the rising demand, we are expanding our distribution network. From 75,000 outlets four years back, our lighting products are sold in over 3,00,000 outlets across the country now. Our appliances are sold in over 25,000 outlets and fans in over 45,000 outlets. This has helped us increase our market share steadily across segments. We are also eyeing rural areas having population below 50,000. Though we would have to compromise on margins here, it will still contribute to the bottom line.

When can investors expect the proposed stock split to take effect?

We hope the stock-split will be completed before end-January.