

# Projects business boosts Q4 numbers

## MICROSCOPE

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Increased billing on orders in Engineering & Projects business and strong volume growth in the small appliances space helped Bajaj Electricals post a 25 per cent sales growth for the March-2011 quarter. At Rs 100.6 crore, operating profits however grew at just 10 per cent, due to lower margins in both lighting and the consumer durables business.

Margins in the luminary and consumer durable business are likely to be better in the June quarter with the company having resorted to price increases that vary from 3 per cent on some products to 10 per cent on electric fans over the last two months.

### **STRONG VOLUMES**

Bajaj Electricals' consumer durable business has been growing on the strength of

sales volumes. With a price increase in the range of just 3-5 per cent, the consumer durable business unit managed a sales growth of 25 per cent for the March quarter. The period saw small appliances segment that includes mixer grinders, toasters, water purifier and chimneys report an over 20 per cent growth in volumes while electric fans reported a 30 per cent surge. There has been no inflation-led drop in consumer demand.

The E&P segment which for most part of 2010-11 saw flat revenues and falling margins saw a pick-up in the March quarter with sales growth of 30 per cent. The company's current order book of Rs 795 crore (for E&P business unit- 0.95 times the segment's FY11 sales) will be executed over the next 12-18 months. However, the point that needs mention here is that the company has put in bids for tenders worth Rs 1,800 crore, the fate of

which will be known over the next quarter.

### **COST PRESSURE SEEN**

Bajaj Electricals' overall margins were at 10.2 per cent for the quarter, down by 1.4 percentage points over the same period last year. The fall was led by lower margins in the consumer durable and the lighting business unit owing to steep price increases in inputs mainly copper and aluminium. Globally as commodities have taken a breather now (copper at \$9049/tonne down from \$10150/tonne in February), Bajaj Electricals may see some respite on this front.

Bajaj Electricals is also taking steps to control costs by economising on working capital. The company has ongoing projects at 61 sites and it intends to speed-up work and bring down the net number to 31 by March 2012. This should boost the contribution from the E&P segment.