Reg. No. MH/MR/South-82/2009-11 TN/CH(C)/250/2009-11 WPP No. MR/Tech/WPP-74/South/09-11 RNI No. RN 35850/80 Posted on every alternate Monday & Tuesday (fortnightly)

₹20

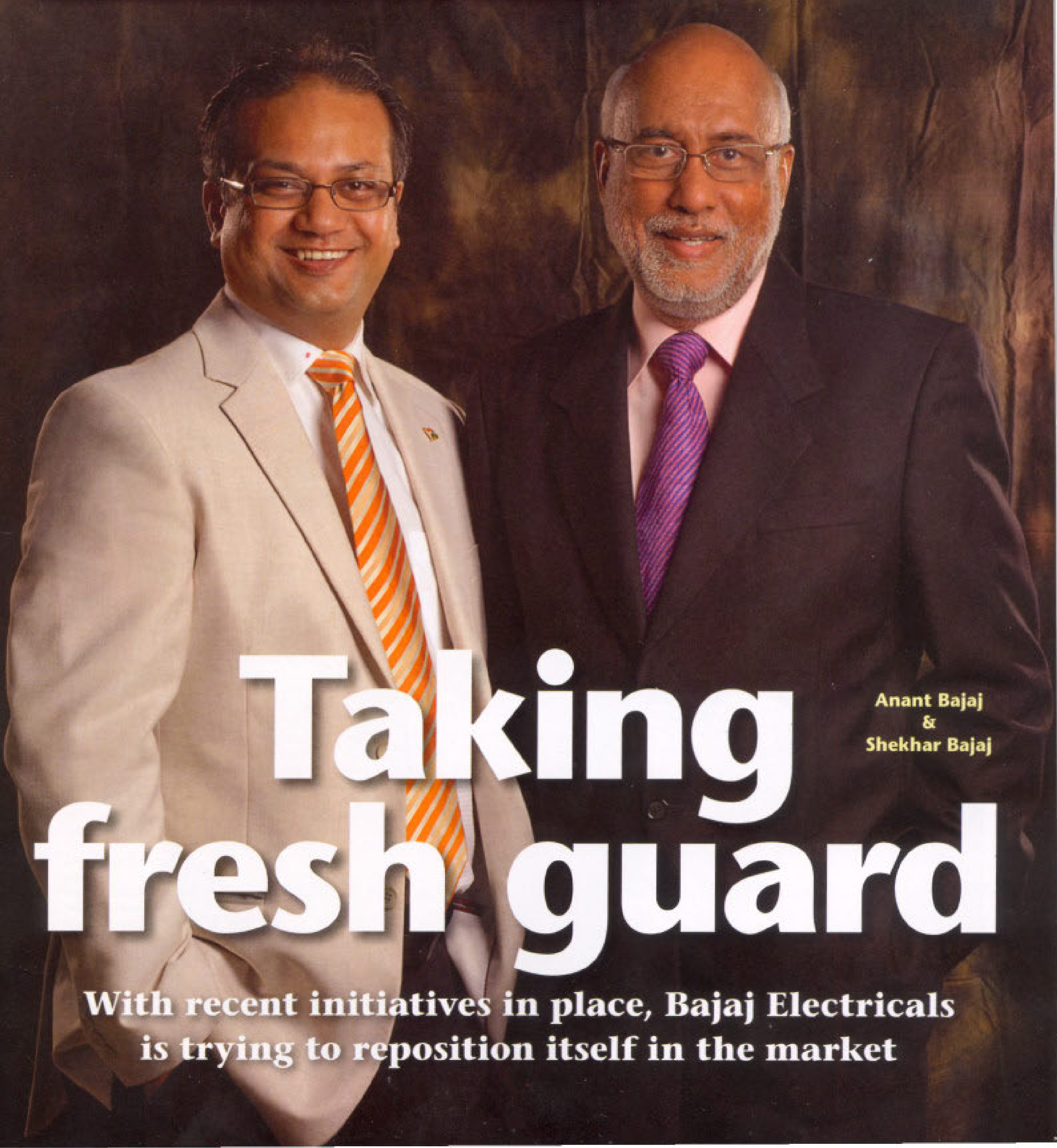
Subscriber copy

Business India

THE MAGAZINE OF THE CORPORATE WORLD

May 29, 2011

- ELECTION RESULTS
- INFOSYS'S BIG CHANGE
- RANBAXY FDA DEAL
- LOGISTICS SURVEY



Anant Bajaj & Shekhar Bajaj

Taking fresh guard

With recent initiatives in place, Bajaj Electricals is trying to reposition itself in the market

Publisher Ashok H. Advani

Managing Editor Parthasarathi Swami
Executive Editors Lancelot Joseph, Daksesh Parikh, Sarosh Bana, Sumit Sharma (Mumbai), Sekhar Seshan (Bureau Chief – South), Suman Tarafdar (Delhi)
Deputy Editors Nupur Sinh, Sumit Ghoshal (Mumbai)
Assistant Editors Shonali Shivdasani, Arbind Gupta (Mumbai), Yeshi Seli (Delhi), Padma Ramnath (Chennai)
Special Correspondents Nachiketa Desai (Ahmedabad), Kiran Yadav (Delhi)
Principal Correspondent Krishna Kumar C.N. (Mumbai)
Senior Correspondents Ryan Rodrigues, Hiral Sheth (Mumbai)
Correspondent Saloni Jhunjhunwalla (Kolkata)
Chief Sub Editor Naveena Israni
Sub Editor George Fernandes
Photo Editor Palashranjan Bhaumick
Photographers Sajal Bose (Chief Photographer), Prakash Jadhav, Sanjay Borade (Sr. Photographers), Sorab Mehta, Sumeet Sawhney
Design Trilokesh Mukherjee
Group Art Director Bertie J. D'Souza
Art Director Mukesh Pandya
Graphics Prajakta Sawant
Cartoonist Panju Ganguli
Manager – Design Cell Mathew Thomas
Production Team Balachandran, Chandrakant Lad, Dipak Gaykar, Kisan Kumbhar, Laxman Pisal, Mukund Nerkar, Najeeb Fatehi

Managing Director Pheroza Bilimoria
Executive Director Atul Deshmukh

President – Advertising Jai Talwar
Sr. Vice President – Advertising Sales Mira Lawrence (Mumbai)
Asst. Vice President – Advertising Sales Sabrina Bowen (Mumbai), B. Anand (Delhi)
General Manager – Advertising Sales Sumati Rekhi (Chennai), K.G. Radhakrishnan (Bangalore)
Asst. General Manager – Advertising Sales Support Bridget Mascarenhas
Asst. General Manager Advertising Deepak S. Ahire (Mumbai), Aasif Iqubal Khan (Delhi)
Sr. Manager Advertising Sales Surinder Handa (Delhi)
Branch Manager P.L. Baluja (Kolkata)
Manager Advertising Sales Salman Khalil (Lucknow)
Asst. Manager – Advertising Sales Mayank Singh (Delhi)
Sr. Advertising Executive Khushboo Jain (Delhi)
General Manager – Sales & Distribution Ravi N. Iyer (Mumbai) 22625470 e-mail: ravi.iyer@businessindiagroup.com
Sr. Manager-Sales & Distribution S.S. Kannan (Chennai) 2835 3964

Editorial & Administration Office: Nirmal, 14th floor, Nariman Point, Mumbai 400 021. Tel: 22883943 Email: biedit.mumbai@businessindiagroup.com Fax: 22883940. **Marketing and Advertising:** 19, Adi Marzban Street, Ballard Estate, Mumbai 400 001 Email:bipladvtg.mumbai@businessindiagroup.com. Tel:22702207/40947100 **Circulation/Subscription:** 19, Adi Marzban Path, Ballard Estate, Mumbai 400 001 Tel: 40947100/22625719/22625710, Fax: 91-22-22676855 E-mail: biplcir.mumbai@businessindiagroup.com **Bangalore:** 27 Wellington Street, Richmond Town, Bangalore 560 025, Tel: 080-22102444, Telefax: 080-22102446 **Kolkata:** Krishna Villa, 100 Park Street, Kolkata 700 017. Tel: 22893359 Telefax: 22878455 **Delhi:** 268 Masjid Moth, Uday Park, New Delhi 110 049, Telefax: 4164 3047-53 **Hyderabad:** Pent House II, Usha Deluxe Apartments, Motilal Nehru Nagar, Begumpet, Hyderabad 500 016 Telefax: 040-66490099 **Chennai:** Prasad Chambers, Flat No.7, 97A, Peter's Road, Chennai 600 086, Tel: 2835 1703/ 2606/3394/3715/3964. Telefax: 2835 3016 **Kochi:** 39/62668, Krishna Prasadam, Alappat Cross Road, Opp: Ezhuthullil Avenue, Kochi 682 016. Phone: 98460 91797 **Lucknow:** 101, Pinky Apartments, Ist Floor, 93N, Butler Road, Dalibagh, Lucknow 226 001. Tel: 0522-6565222, Cell: 09415180290. **Registered Office:** Wadia Building, 17/19 Dalal Street, Fort, Mumbai 400 001 Tel: 2267 4161/73369.

Annual Subscription Rates
India ₹290
Students (India only) ₹200 on submission of current year's ID card
Overseas (One year only) Airmail to Pakistan ₹3,600 or US$80.
To all other countries ₹5,000 or US$110
Rates include airmail charges.
Please add ₹20 for cheques not drawn on a Mumbai bank.
Cheques to be drawn in favour of "BIPL A/c Business India".
Unsolicited manuscripts will not be returned.

Distribution India Book House Ltd
Newsstand ₹20
This issue consists of total 140 pages including cover

Business India

Old established companies have the invaluable equity of trust, integrity and values. But many such companies find it difficult to change gears and move on to a different high growth path. Bajaj Electricals (BEL), led by Shekhar Bajaj is one of the older Bajaj companies well respected and recognised in millions of Indian households. But like many Indian companies in the pre-liberalisation era, it was small and with limited resources. It also had the "disadvantage" of being in the shadow of Bajaj Auto which has been one of the biggest successes of Indian business.

But when the economy opened up Shekhar Bajaj and his professional team seized the opportunity to transform BEL into a powerhouse. While upgrading and expanding the traditional home appliances, lighting and fan businesses, Bajaj moved first into manufacturing high masts for lighting and transmission towers, and then diversified into turnkey lighting and transmission projects. The company also outsourced the manufacture of smaller appliances to third party vendors. And when business conditions demanded outsourcing to China it quickly adapted. BEL focussed on quality control, branding and distribution to provide Indian households international quality appliances at Indian prices. This allowed it to leverage on the Bajaj name and continued building on the trust of consumers. Shekhar's own father, the late Ramakrishna Bajaj had for many years championed the cause of fair business practices and consumer interests.

This transition was not easy and the company had its share of ups and downs. But clearly Bajaj Electricals is now on a strong growth trajectory. There is no reason why the company, with Anant of the next generation in place, should not achieve its target of doubling in the next three years. It should cross the magic ₹5,000 crore ($1 billion) in sales. The big question will be whether Bajaj can, like Japanese and Korean companies did earlier, take the Bajaj brand worldwide.

Our Special Report this time is on the Assembly elections. The results were still coming in when we went to Press, but there was no ambiguity about the message of the electorate. The Left is out. The scam-tainted are out. The mighty have fallen. This is a special moment in a democracy which all the benefits of possible faster growth in a totalitarian system cannot compensate for.

Beyond the euphoria of today, there is a shade of worry about West Bengal. The Trinamool has very little administrative experience. It will also be under attack from the Leftists, not accustomed to playing second fiddle in their bastion. There are fears that there may be violence. But worldwide markets have pushed back ideology. The young and educated are eager to integrate with the world.

Mamata Banerjee will need the co-operation of industry to get growth going once again. The indications are that she will get it. We wouldn't be surprised if the Nano is invited back to Singur.

Ashok H. Advani

Contents


PALSHRANJAN BHAUMICK

COVER PHOTOGRAPH BY PALASHRANJAN BHAUMICK

SPECIAL REPORT

CORPORATE REPORTS

MERGERS & ACQUISITIONS

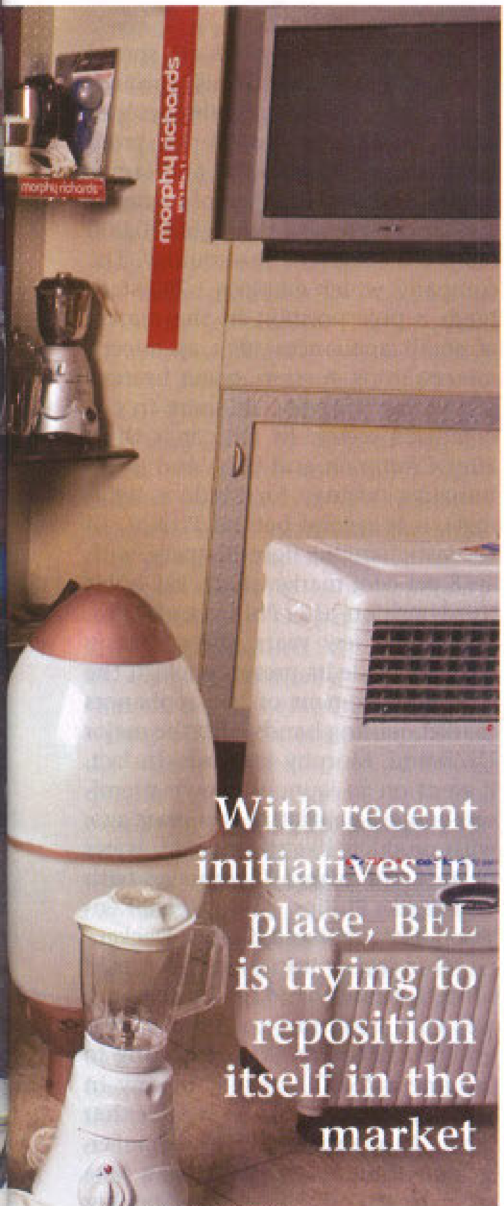
Taking fresh guard

On 2 April, when India won the World Cup at Wankhade Stadium in Mumbai, it was undoubtedly a big moment for every cricket crazy Indian. But for 63-year-old Shekhar Bajaj, chairman and managing director, Bajaj Electricals Ltd (BEL), it was also a day of pride and satisfaction. It was his company that was behind putting up the world-class lighting system at the newly renovated venue. "It was an awesome feeling that cannot be described in words. Over and above, India's victory made it truly a special moment for us," says Bajaj, who was himself present in the stadium enjoying the match, along with his team from the company's engineering & projects division that carried out the entire installation work in a record time of six months. BEL fabricated the four high-masts of 72-metre height, fitted with 2 kW metal halide floodlights at its state-of-the-art facility at Ranjangaon near Pune and undertook the installation job through its dedicated team of engineers and technicians.

"These high-masts are specially designed to avoid light pollution and unnecessary wastage of energy, as well as minimise the spillover of light to neighbouring areas," explains Lalit Mehta, executive president, engineering & project business unit, BEL. "We have used a high-precision beam control mechanism to restrict the light up to certain limit from the stadium as per international standards."

"They have done a great job for us," says Ratnakar Shetty, honorary treasurer, Mumbai Cricket Association and tournament director, ICC Cricket World Cup. "Despite all difficulties, BEL was the only agency that completed the work on time."

Wankhade is not the only stadium that has been lit by BEL. Recently, it also carried out turnkey lighting



PHOTOS: SANJAY BORADE

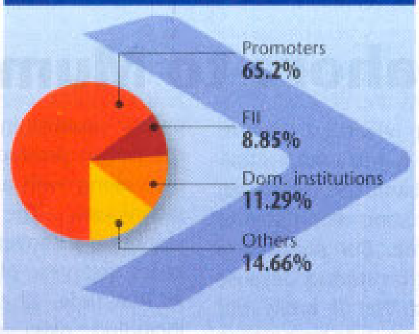
projects for the impressive Rajiv Gandhi International Cricket Stadium in Hyderabad and Usha Raje Cricket Stadium in Indore. It has been engaged in similar high-mast lighting projects for Chinnaswamy Stadium, Bangalore; Green Park Stadium, Kanpur; SMS Stadium, Jaipur; and other sports stadia used for National Games in the past. Beside, the company has also been undertaking illumination and lighting projects for industries (Reliance Petroleum, Jamnagar); corporate offices; landscapes; monuments (Ajanta Caves) and streets (the Queen's Necklace at Marine Drive, years ago). Recently, Mumbai's signature Bandra-Worli Sealink was also lit by BEL.

Financial indicators

Year	Sales (₹ crore)	PAT (₹ crore)	EPS (₹)
2007	1,079	39	9.0
2008	1,374	73	8.5
2009	1,770	89	10.3
2010	2,229	125	12.8

Though BEL has primarily been known for its lights and small appliances, it has also been taking up illumination and lighting jobs for several years now and competing with players like Philips, Crompton, GE, Kalpataru and IVRCL. It entered high-mast lighting projects in the mid-1980s, when it installed its first high-mast at Indira Gandhi International Airport, Delhi. In the initial years, it used to import these high-masts from the UK and carry out the installation. The company got its first big order of 114 high-masts in 1997-98 from Reliance for its Jamnagar Petroleum Complex. And, soon, the concept of high-mast lighting picked up. It was around that time that the BEL management decided to get into the lighting project business in a big way. Instead of importing these high-masts at high import duties (initially the duty was as high as 100 per cent), BEL took a bold decision to put up its own manufacturing facility at Ranjangaon, Pune. The factory, which had a modern galvanising and fabrication capacity of 40,000 tonnes per annum, was commissioned 10 years ago. At present, the company is manufacturing more than 4,000 high-masts of different configurations annually.

Shareholding pattern



*As on 31 March 2010

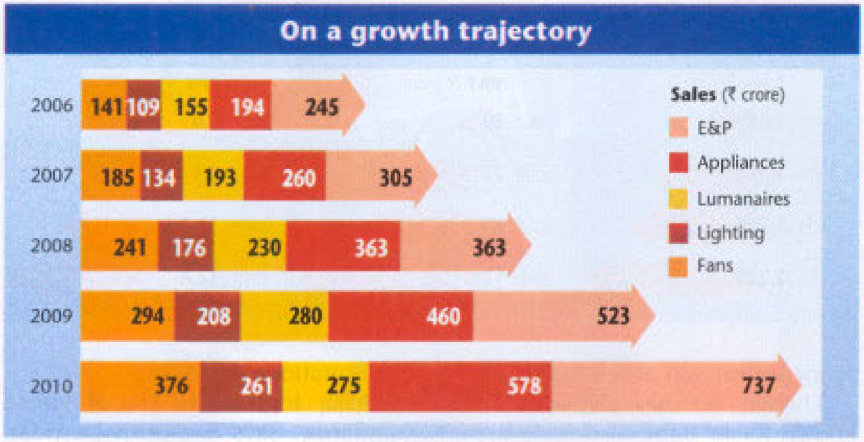
"Bajaj high-masts are of global standards," says B. Ghosh Dastidar, general manager (electrical), Essar Projects, while commenting on BEL's lighting project at Essar Oil Refinery's Jamnagar complex, where the company installed 130 high-masts in 2008-09. "Most importantly, they have a good execution capability."

The company has gradually diversified into the production of poles, telecom and transmission towers and is also executing turnkey EPC projects. "We started with making and supplying these products to EPC contractors like Best & Crompton and SPIC, but then decided to do these jobs ourselves," says Mehta.

Transmission

BEL has been executing transmission tower projects for Power Grid Corporation, Damodar Valley Corporation, MSEB, TNEB, Gujarat Electricity Transmission Co and other state utilities. In fact, the company, which is competing with Kalpataru, L&T, KEC and Jyoti, has recently bagged a major order of ₹250 crore to put up a transmission line in Bihar from Sterlite group-promoted East North Interconnect Co. BEL started implementing the project four months ago and is expecting to commission the same in the next 18 months.

For the last few years, BEL's engineering & project division has also ventured into the rural electrification space under the ongoing Rajiv Gandhi Vidyutikaran Yojana. The company is engaged in the execution of seven rural electrification projects in states like West Bengal, Madhya Pradesh, Chattissgarh and Orissa, involving around 1 million BPL households. In one such project, in Murshidabad



district of West Bengal, the company is providing electricity connections to around 700,000 households. The ₹200 crore project, which is being carried out for the last one year, will be implemented in the next six-eight months. "Despite being a new entrant, BEL is living up to our expectations. They are organised and possess the desired project management capability," says B. Mukherjee, general manager, National Electric Supply Co, a subsidiary of NTPC, and the government's implementing agency for the Murshidabad project.

With all these projects in place, BEL's engineering and project business has got an order book worth ₹750 crore (as of April 2011), to be executed in the next 12-16 months. The division has grown rapidly in the last five years. From ₹245 crore in 2006-07, it has grown to a turnover of ₹850 crore today, accounting for almost 31 per cent of the company's total turnover. "We took a bold decision to venture into the production of high-masts, poles, telecom and transmission towers and later forward-integrating into execution of turnkey EPC projects. The business has helped the company grow in the last few years," says Anant Bajaj, the 34-year-old, executive director of BEL, and the only son of Shekhar Bajaj. He joined the company in 1997 as a management trainee and was the project co-ordinator for the Ranjangaon project. He was elevated to the executive director's post in 2006.

Transition

For BEL, the last decade has been truly eventful. The company, which was set up, way back in 1938, has undergone a complete transformation. Not only did it manage to reposition itself well in the market, but also emerged as a stronger and more focussed entity. From ₹340 crore worth of sales in FY2000, the company's turnover soared to ₹2,229 crore in FY10. During the period, the profit jumped to around ₹125 crore from a meagre ₹1.39 crore and market capitalisation jumped to ₹2,453 crore from a mere ₹20 crore. For the recently-ended fiscal 2011, BEL has gone on to further improve its turnover to ₹2,750 crore. The company's shares are quoting at ₹248. The share price peaked to ₹850 in October 2009 from ₹25 in November 2007 – after the 1:1 bonus issue in August 2007.

Today, BEL sells its products, spread over five business verticals, through a network of 1,000 distributors and 4,000 authorised dealers. Its products, ranging from bulbs and lamps to fans and a wide range of domestic appliances, are sold through 400,000 retail outlets across the country. The company, which employs 1,700 staff, holds a pole position in the market of small appliances such as juicers, mixers, irons, toasters, water heaters, etc, with a 15 per cent share in the organised sector. In fans, it is third after Crompton and Usha and in luminaires (fittings for outdoor lightings), it is second behind Philips. In the fast-changing lighting space, with an 8 per cent market share, BEL holds third position, after Philips and Surya. In the last few years, the company has also made its presence felt in the premium segment of the appliances market, joining hands with the major UK brand, Morphy Richards. In fact, it went on to launch its own premium brand Bajaj Platini two years ago, with products like steam irons, water heaters and mixers. It competes with brands like Philips, Braun, Tefal, Kenwood, Delonghi and Black & Decker.

"Our recent initiatives have paid off significantly and, going forward, we will continue to sustain this growth trajectory. We are aiming to become a ₹5,000 crore company in the next three years," says Shekhar Bajaj. A science graduate from Fergusson College, Pune, with an MBA from New York University, Shekhar was appointed managing director of the company in 1984, when his father Ramkrishna Bajaj decided to step down. In 1994, he also became the chairman of the company.

The transition, for BEL, was not

A saga: from Lahore to Mumbai

The firm known as Bajaj Electricals started in a modest way in Lahore under the name Radio Lamps Works Ltd in 1938 by a dynamic entrepreneur, Kishanchand Kaycee. Kaycee was in the business of importing and marketing electrical goods. He joined hands with an Italian firm, Lampade Electriche, a leading lamp manufacturer of the time. But production could not be started because the World War II broke out in 1939 and Italy became an enemy country. In 1941, Kaycee began production on his own along with a few Indian technicians. The company clocked a turnover of ₹3 lakh in its first year of operation. At that time, all components including glass shells were imported, but the War stopped that. But nothing daunted Kaycee who went on to start a separate company, Kaycee Glass Works for glass shells in Shikohabad, UP. During the war years, he also set up a facility at Lahore for caps used in electric lamps. By 1946-47, the paid-up capital of as smooth as it appeared to be. The management was forced to pull up its socks as the company faced one of its most challenging times during the late 1990s. A slump in market demand in the wake of weak economic conditions and stiff competition dealt a severe blow to the company's topline as well as bottomline. The high-cost of borrowings in some of the newer projects further added to its woes. Profits started eroding sharply – from ₹7.08 crore in FY1998 to ₹1.39 crore in FY2000.

BEL decided to appoint an external consultant and roped in Accenture in 2001 to review the entire business and organisational structure of the company. Based on its recommendations, the company underwent an overhauling exercise, which it called 'Mission Excell', in 2001. "Eventually, we realised that there was something seriously wrong within the organisational set up, which needed to be addressed quickly. We consciously decided to take the help of an independent consultant," recalls Shekhar Bajaj.

"Whereas, in most of the cases, a consultant limits its role to the recommendation stage, we wanted Accenture to be part of the most crucial aspect of implementation also, to prevent any possible delay," says R. Ramakrishnan, 49, executive director, BEL, who played a major role in the entire revamp after joining the company in 2000. Prior to joining BEL, Ramakrishnan was with Asian Paints for 18 years.

Under the programme, the company undertook a slew of measures in the next couple of years, including exiting loss-making businesses, taking a relook at existing product lines and focussing on the profitable ones,


Ramakrishnan: turning challenges into opportunities

and a number of other strategic and operational measures to reduce costs, increase margins and stimulate volume growth. Apart from other exercises, it carried out a complete restructuring of its organisational structure, as also financial re-engineering.

Restructuring

As per the new strategy, the management decided to do away with the prevailing matrix structure for its organisation in favour of separate business units for each of its businesses. By 2002, the company had six strategic business units (SBUs) – engineering & projects, luminaires, appliances, fans, lighting and Morphy Richards. Each of these business units are led by a separate business head, who is accountable for its performance. "Earlier, in the matrix structure, the much desired focus was missing. In case of any weaker performance, one could easily pass the buck to others. Not only did it infuse accountability into the system, but also motivated the employees to do better," states Shekhar Bajaj.

BEL also initiated a financial restructuring exercise, along with other cost-cutting measures. With sales and margins under pressure, the company was struggling to service the debts, which mounted to ₹150 crore during 1999-2001. All these loans were short-term in nature and borrowed at high rates of 15-18 per cent. The company spent around ₹100 crore in setting up newer projects during the period. Among others, it made an investment of around ₹25 crore in setting up a die-casting unit to manufacture crankshafts for Bajaj Auto and a new fan manufacturing facility at Chakan near Pune. It went on to set up a ₹12 crore windmill project at Satara, also in Maharashtra, to avail government tax incentives. All this, along with the investment of ₹45 crore in Ranjangaon, proved to be too much for the company, already under severe pressure due to depressed market

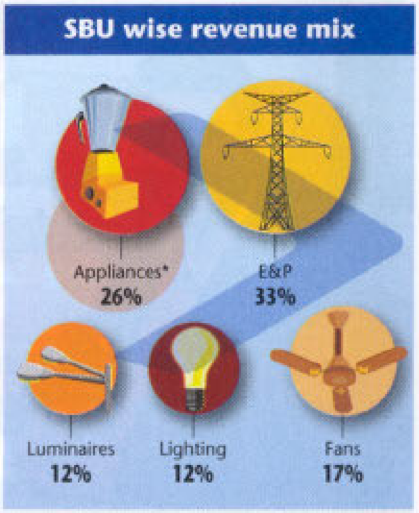
the company increased to ₹18 lakh from ₹2 lakh in 1941. But the partition forced the company to move its base from Lahore to Jalandhar, Punjab and then to Shikohabad and finally to Mumbai. The company meanwhile entered into collaborations with Philips, Netherlands and three leading British electrical firms. With this the original company was renamed Hind Lamps Ltd. By 1952-53, the company's turnover increased to ₹18 lakh.

In 1954, Kaycee due to his old age, decided to transfer the active management to Kamalnayan Bajaj, uncle of Shekhar Bajaj and elder brother of Ramkrishna Bajaj. The company was taken over by Jamnalal Bajaj Sons Ltd. The move gave a big boost to the company, the turnover of which jumped to ₹1.13 crore by 1957-58. It started fluorescent lighting fixtures in Mumbai in 1957. In 1960, the company was formally named Bajaj Electrical Ltd. By 1963, the company started marketing domestic and industrial appliances, plastic shades, wires, cables, electrical accessories, etc. The company thrived on the growing demand for these products and posted a turnover of ₹81 crore in 1957.

• AG

conditions. "Though the amount may not look that big for us now, at that time, considering the size of our book, it was a quite a big amount, and more so, borrowed at higher interest rates," says Ramakrishnan.

What further complicated the condition for the company was that by the time these projects were commissioned, the market had still not revived. In fact, the Ranjangaon facility started with an abysmally low capacity utilisation of around 20 per cent. A slump in the two-wheeler market started taking a toll on the die-casting unit. Instead of outsourcing the manufacturing, enhancing the in-house fan production capacity only added to the production cost.



Figures for FY 2010. *Including Morphy Richards

To start with, BEL went in for financial restructuring by swapping high-cost funds with low-cost, long-term debts. Apart from a reduction in interest rates, banks also provided a moratorium of two years as a major relief to the company. In October 2003, the company also came out with a rights issue for ₹10.8 crore to infuse capital in the system.

In an attempt to move out of non-core areas, the company decided to exit the die-cast operation completely. It shut down the old Pune facility for fans and implemented a VRS package. It also sold the land for a consideration of ₹25 crore in 2002. The company began outsourcing most of its manufacturing of fans to vendors, which helped it bring down overheads and reduce the cost significantly. From 60 per cent, the in-house production level has fallen to only 10 per cent today, while total fan sales have touched 5.5 million units per annum.

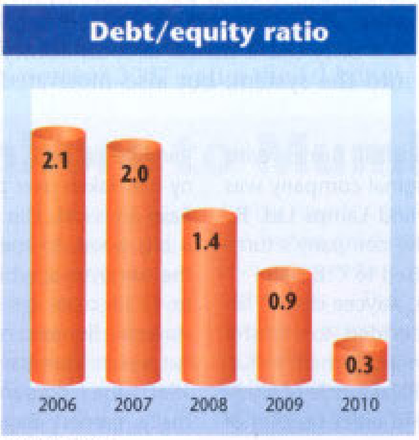
In another strategic move of its kind, to thwart the Chinese competition and broaden its vendor base further, BEL joined hands with G.D. Midea, China, the world's largest producer of table, pedestal and wall-mounting (TPW) fans in 2001. At present, it purchases more than 400,000 fans from the Chinese major – made as per its own specifications.

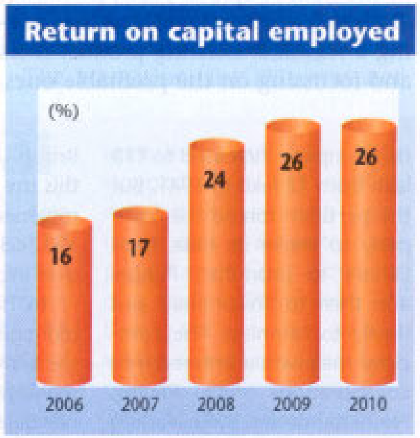
Diversification

To overcome the low capacity utilisation at the Ranjangaon high-mast project, BEL took a bold decision to diversify into production of poles, telecom, transmission towers and monopoles (next generation transmission towers). Initially, it manufactured and supplied towers to EPC contractors but later decided to also undertake such turnkey projects. "Our galvanising capacity proved too large for catering only to high-mast production," recalls Anant Bajaj. "But our prompt move to diversify saved the day for us."

All these strategic and operational initiatives, along with measures towards revamping the supply chain and distribution network, started turning the company around. In the short term, it managed to bring down the overall cost, even as its sales began to improve, with the market reviving. The company finally made its turnaround in FY04, with a net profit of ₹10.31 crore, as against a net loss of ₹9.86 crore the previous year. Sales for the same period stood at ₹507 crore (₹433 crore).

"All these years were quite challenging for the company. But our strategic and operational measures to reduce costs, increase margins and stimulate volume growth eventually paid off," says Ramakrishnan, who fondly recalls an incident when the entire sales and marketing team got together in Lonavla near Pune to chart out the future course of action to bring the company on track. The theme of the meet, organised in April 2003, was aptly 'War for profit'. The team consisted of five groups belonging to as many business units – appliances BU (named Army), fans BU (Airforce), lighting (Navy), luminaires, (Marine) and E&P (Commando). Members of each group were dressed in a particular uniform. "There were successive years of slowdown and our whole aim was to motivate our team to get rid of it," says Ramakrishnan. "We decided to turn the situa-





*As on 5 May 2011; * 1:1 bonus, 29 August 2007; * Share split to ₹2, 29 January 2010 tion around with all our resources and the result was for everyone to see. The same year, we managed to register a net profit."

Since then, BEL has not looked back and has grown from strength to strength. All the business verticals have done remarkably well. Through a series of collaborations and R&D initiatives, it has introduced several newer and innovative products backed by a much stronger supply and distributor network. From a value for money focus, the company has also tried to expand its reach to higher price points and is catering to a much wider customer base. "The market is expanding with the changing demographics and, hence, we are also trying to change our image as a brand. From the lower segment of the market, we intend to move up in the market segmentation," says Ramakrishnan, who, as a part of the image makeover, three years ago also undertook an exercise along with advertising agency Heros, to create a new logo for the company. In the new logo, the eye symbol is depicted through a vermilion dot, representing energy and light. "Our new logo is in fact true to the earlier eye symbol in spirit and thought. It's a symbol of a forward looking eye, which always makes us keep our eye on the future, while inspiring trust among stakeholders," adds Ramakrishnan.

Promotion

To give more thrust on its brand building exercise, BEL hired another advertising agency, Leo Burnett, a few years ago, while Lintas works as its media agency. The successful implementation of the new Oracle ERP package two years ago has helped the company further improve its processes, systems and controls. "It has been a challenging task to contemporise this brand and connect it to the current generation in a more meaningful way, without losing its age-old equity of trust, integrity and values," says K.V. Sridhar, national creative director, Leo Burnett.

BEL's collaboration with the $1.5 billion Glen Dimplex Group of the UK is a good example of how the company has tried to create its presence in the premium segment of the market. In 2004, the company had entered into a licensing and marketing agreement with the UK's largest small appliances brand, Morphy Richards. In fact, the company also went on to form a separate business unit to look after this brand in the market for products, such as irons, coffee makers, toasters, mixer grinders, blenders, OTGs and others. Under this brand, BEL sources as much as 50 per cent of its products through Indian vendors as per its design and specification, while the rest are sourced from vendors in China and other parts of the world. The company sells these products through its strong marketing and distribution network. BEL has lately also entered into a tie-up with the Italian household appliances brand Nardi for gas appliances and cooking ranges.

Anant Bajaj: seeking newer opportunities

"We are proud to have BEL as our partner for the Morphy Richards brand in India," says Phil Green, CEO, Morphy Richards, UK. "BEL has created a solid distribution system, strong product portfolio and significant brand strength for our brand in India. Today, outside the UK, India is the number one overseas market for Morphy Richards."

By virtue of these arrangements, BEL is competing with premium international brands. In the last few years, while most of these brands, except Philips, have struggled in the Indian market, Morphy Richards' sales turnover touched ₹105 crore in FY11 – up 36 per cent from the FY10. "We are planning to double Morphy Richards's sales in the next two years," says Vivek Sharma, vice-president and head, Morphy Richards BU, BEL. "We will be entering into new products like microwaves, induction cookers and TPW fans with unique features." According to Sharma, apart from the strong distribution network, what gives BEL the edge over these multinational players in this premium segment is its strong after-sales service network. "While none of these players have that sort of facility, BEL also has 280 exclusive service-centres across the country and offers even home services through channel partners," he says.

While BEL has been successfully selling Morphy Richards products for the last seven years, it has recently launched its own appliances brand – Bajaj Platini, to explore the fast growing premium segment further. "Though we are selling premium products under Morphy Richards, we are now trying to create our own sub brand under Bajaj," says P.S. Tandon, president & head of BEL's appliances BU. "The objective is to create a visible presence in this market segment, which is expected to grow rapidly the changing demographics and emergence of modern format retails." This BU registered a growth of 32 per cent in FY11 over the FY10 sales of ₹578 crore.

Even as the company is trying to create its presence in the premium segment of the appliances market, it has significantly strengthened its position in the mid segment through its Bajaj Majesty brand, ever since it was launched eight years ago. Its oldest brand Bajaj Popular, catering to the value for money segment, has continued its journey among Tier II and Tier III locations. In both of these segments, the company has a pole position, competing with names like Sumeet, Kenstar, Preethi, Pigeon, Maharaja, Usha and Philips. "Our strategy is to be present at every price point, to reach out to a wider customer base," says Ramakrishnan.

In the fan business, the company's tie-up with Chinese major Midea Fans since 2000 has worked quite successfully. Bajaj Midea plastic body, light weight and high performing TPW fans have been well received in the market in recent years. Its other recent tie-up with Disney to launch fans for kids with Disney characters has also been well accepted by the market. The company has pushed up its overall fan sales to 5.5 million units last year from 3.2 million units in the previous year.

THE COMPETITION

FANS: Crompton, Usha, Orient, Khaitan, Polar, Havells
LIGHTING: Philips, Crompton, Surya, Wipro, Osram, Havells
LUMINAIRES: Philips, Crompton, Wipro, Thorn
APPLIANCES: Low and mid segment: Philips, Usha, Kenstar, Preeti, Prestige, Maharaja, Inalsa, Pigeon
Premium: Philips, Black & Decker, Tefal, Delonghi, Braun, Kenwood, National
ENGINEERING & PROJECTS
Highmasts/towers projects: Philips, Crompton, BP projects, Utkal Galvanizers, KEC, Kalpataru, L&T, Jyoti
Lighting, illumination, rural electrification projects: Philips, GE, Crompton, IVRCL, KBL, Kalpataru

- BEL holds pole position in small appliances (such as mixers, irons, water heaters, etc) with 15 per cent share in organised sector which accounts for 65 per cent of the market.
- 2nd position (17% market share) in luminaires after Philips(23%) and before Crompton(13%)
- 3rd position (16%) in fans after Crompton (24%) and Usha (17%)
- 3rd position (8 %) in lighting after Philips (26%) and Surya (12%)

Collaborations

In the last few years, BEL has joined hands with as many as five overseas majors in its luminaires (light fittings) space, which covers wide applications in industrial, commercial, floodlights and street lights besides special luminaires for flame-proof and increased safety applications. BEL, the second largest player in the market after Philips, has technical collaborations with Trilux Lenze of Germany for premium technical lightings, Disano of Italy for high-end street lighting and RUUD Lighting, US, for LED solutions. Besides, the company's luminaires unit, during its recent forays, has tied up with Delta Controls of Canada for access controls and building management systems, as also with Securiton of Switzerland for fire alarm security systems. "Ours is a great synergy. Using BEL's brand and distribution, we can introduce world class lighting solutions in the Indian market," states Dietmar Sack, director, international sales, Trilux Lenze.

"All these partnerships have helped us considerably in broadening our offering through entering into newer product segments," says R. Sundararajan, vice-president and head, BEL's luminaires unit, which has posted a turnover of ₹315 crore for FY11 – up from ₹275 crore. With around a 17 per cent market share and competing with players like Philips, Crompton, Wipro, Thorn and others, BEL is betting big on government's increased thrust on infrastructure, rapid urbanisation and fast emerging areas like modern format retails, hospitality and others. "Going forward, our thrust will be to consolidate our partnerships across all businesses and also look out for newer opportunities," says Anant Bajaj.

THE TIE-UPS

FANS
- **Midea**, world's largest fan company for TPW fans
- **Walt Disney** for children fans

APPLIANCES
- **Morphy Richards**, UK for premium appliances
- **Nardi**, Italy for gas appliances and cooking range

LUMINAIRES/LIGHTING
- **Trilux**, Germany for Premium technical lighting
- **RUUD** Lighting, US for LED lighting
- **Disano**, Italy for street lighting
- **Securiton**, Switzerland for fire alarm systems
- **Delta Controls**, Canada for access controls & building management
- **Abacus**, UK for sports lighting

Apart from collaborations, over the years, BEL has built up a strong base of 200 vendors to outsource its manufacturing jobs. In appliances and luminaires, it outsources its entire requirements, while, in fans, it outsources almost 90 per cent of manufacturing to vendors. In case of the lighting, it outsources 40 per cent and the rest is manufactured at its associate group company, Hind Lamp in UP and at its partner company in Nashik. The company's engineering & project division, which fabricates high-masts and towers, also purchases cables, switches and other electrical and mechanical components from the market for its turnkey projects.

More than 70 per cent of its vendors are dedicated ones and have associated with it for several years. BEL has been helping these vendors upgrade their technology and provide design and other R&D support as per requirements. "We try to assist them in all possible manners, so that they

Team on a mission: BEL's six business heads

can provide us with the best products. Moreover, we provide them with market feedback and help them bring about the necessary changes in the production line," says Tandon of appliances BU.

"Our association with BEL goes back to 1970," says Rakesh Gupta of Mumbai-based Konark group. "All these years, our relationship has moved quite smoothly and, hence, we have been working only for them. BEL was instrumental in our collaboration with GE in the field of street lighting in 1994." Konark has been supplying products in the luminaires space like floodlights and street lights to BEL. Last year, it supplied products worth more than ₹100 crore to BEL from its production units in Himachal Pradesh and Daman.

"Emkay is the biggest vendor for BEL," says Tarun Murarka of Emkay Appliances, another dedicated vendor. "We have grown over the years, maintaining a cordial relationship." Emkay Appliances manufactures fans, water heaters and room coolers at its units in Himachal Pradesh, Uttranchal and Noida. "These vendors are like our family members," says Shekhar Bajaj. "Over the years, they have been committed to us and played a big role in our growth story. We have also tried to take care of them." Bajaj recalls an incident, when one of its vendors, Starlite Lighting Ltd, faced financial stress and BEL stepped in to bail it out. BEL picked up 32 per cent equity for ₹7.5 crore in this Nashik-based Compact Fluorescent Light (CFL) producing company in March 2007. Starlite Lighting had struggled for working capital, following a slump in demand in export markets. Ever since it got the capital infusion from BEL, the company has made rapid strides. From ₹27 crore in 2007-08, its turnover has gone up to ₹100 crore in FY11. It invested ₹40 crore in 2009 to expand its CFL capacity to 40 million units from 13 million units. "BEL has shown a big trust in us. Their association has helped us grow faster. Today, we have emerged as a ₹100 crore company and aim to double our turnover in the next 2-3 years," says Ravindra Bharthi, managing director, Starlite Lighting, which supplied CFLs worth ₹60 crore to BEL during the last fiscal. Starlite has been supplying to BEL since 2003.

While BEL has helped its vendors produce quality products, it has also prompted a large number of its dedicated vendors to move production base to backward areas in Himachal Pradesh, Uttranchal and other similar locations for cost effective production. "It was BEL which wanted us to shift production from Mumbai to one of such locations. In 1998, we set up facilities for ballasts and indoor luminaires," says Gautam Malkani of Multi Lighting, which has been associated with BEL since 1969. Last year, the company supplied ₹15 crore worth of products to BEL.

Sourcing

In addition to domestic vendors, the company has also gone in for Chinese sourcing in the last few years. In fact, it is sourcing as much as 20 per cent of appliances and fans as also 5 per cent of luminaires from China. Apart from enjoying the competitive pricing, the company has also been able to effectively face the competition from Chinese companies. "Instead of fighting with them and losing market share, we thought of partnering with them and sourcing products from them. This strategy has worked out quite nicely in recent years for us," says Ramakrishnan.

This vendor-driven outsourcing approach has attributed huge benefits to BEL. Not only does it provide flexibility in operations and competitive pricing, but it also helps it keep asset light and focus on the key area of marketing and distribution. Moreover, this has also allowed the company to spend more time and resources in R&D activities. BEL has established an R&D centre in Mumbai for product development and quality assurance for small appliances. It has got a government of India-approved Lighting Development Centre. It also has a in-house fan designing and development centre at Chakan, Pune. "BEL is an asset light entity. This has enabled it to concentrate more on marketing and distribution, which is a key element for success in the business it is into," says Rahul Gajare of Edelweiss Securities.

Backed by its R&D efforts and collaborations, the company has been

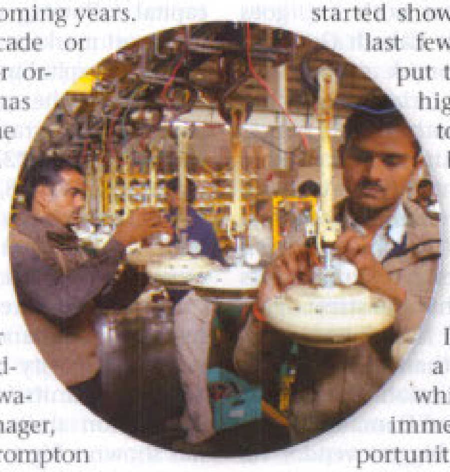
State-of-the-art CFL production line

able to launch newer products across segments. It is also trying to consolidate its position in emerging areas like energy efficient CFLs and foraying into LED (light emitting diode) lighting, which is going to revolutionalise the lighting space in the next few years. It is re-entering the pressure cooker sector after a gap of 25 years. After successful test marketing in West Bengal and Orissa for the last couple of years, the company will launch pressure cookers on a pan India basis this year. It is betting big on the water purifier market and planning to launch a wide range of water purifiers for rural as well as urban markets. Besides, BEL is also going to launch DG sets after test-marketing in Tamil Nadu and Kerala. It is trying to consolidate its position in the water lifting pumps after being in the market for two years.

Rural play

Going forward, the company also plans to focus on penetrating rural markets to expand volumes for its electrical appliances and utility products. "The Rural market is going to be a major thrust area for the company. We have in fact already got some people specially looking into rural markets. We are also finalising a special team in each business unit to take care of rural penetration," says Ramakrishnan.

Markets for all the company's businesses have been seeing a robust growth with growing consumerism and urbanisation. With the economy growing and demography changing, the market is expected to get more organised in the coming years. "In the last decade or so, the market for organised players has expanded at the cost of those in the unorganised sector, with price differential narrowing down. This is likely to continue further in favour of branded players," says Swaroop Bolar, manager, marketing, Crompton Greaves, which is the number one player in the organised fan market, with a 24 per cent share. The organised market, accounting for around 65 per cent of the production, is growing at a rate of 20 per cent.



Fan assembly line

While BEL has tried to consolidate its position in the consumer durable segment, it is betting big on its relatively new engineering and project business. In a short time, it has exhibited a remarkable manufacturing as well as execution ability for turnkey projects. Currently, it boasts more than 250 engineers in its strong workforce of 500 people. In future, the company is likely to gain confidence in newer areas like rural electrification and turnkey EPC projects in the power transmission segment. BEL has also forayed into the manufacture of next generation transmission towers (called monopoles) with the fabrication and execution of India's first monopole in Noida for Power Grid Corporation. "The E&P division has grown at a CAGR of more than 30 per cent in the last five years. This segment will continue to be the growth driver for the company," says Anant Bajaj.

The E&P division has also started exporting high-masts, towers and poles to Kenya, Uruguay, the Caribbean, Sri Lanka, Mauritius and the Maldives in the past. It also undertook a few street lighting projects in the Middle East and Ethiopia. All these export-related activities (currently, quite insignificant) of BEL are carried out through its group company – Bajaj International.

BEL's recent initiatives, which have started showing results in the last few years, have also put the company on a high growth trajectory. With changes brought about in the organisational structure, the company looks more focussed in its approach. It has developed a business model which will benefit immensely from opportunities arising from the infrastructure sector, as also from the fast-changing consumer market. Backed by a trusted brand, BEL is ready to explore the market with a much wider product portfolio and strong distribution network.

However, it remains to be seen how the company sustains these recent measures in the long run and move to the second phase of growth. The market is growing, true, but the competition is also intensifying with the entry of new players.

• ARBIND GUPTA