

Bajaj Electricals sees appliance biz outdoing lighting, contracting

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Bajaj Electricals (BEL) expects its consumer durables division to continue to be the fastest-growing of its three segments this year despite its larger base, said chairman and managing director Shekhar Bajaj.

Appliances segment accounted for 45% of BEL's overall topline of ₹2,740 crore in 2010-11. Engineering & projects (E&P) contributed 30% and the rest came from lighting.

BEL is targeting a growth of nearly 25% for durables, 20% for E&P and 15% for lighting this fiscal.

"We are seeing healthy growth in appliances. There is a growing middle class and all our durables except microwave ovens are priced at less than ₹5000. Here a rate hike of 1-2% does not matter as it does when you want to buy a car or an air conditioner," Bajaj said, referring to the Reserve Bank of India's rate hikes.

Among appliances, BEL has mixer grinders, toasters, blenders, water heaters, irons, cookers, etc. According to a May 25 report by Angel Broking, the company has a 15-30% market share in small appliances.

BEL takes up turnkey contracts for industrial lighting; high mast lamps on roads and in stadia; and transmission lines.

Bajaj said the number of contracting jobs up for grabs has dwindled. "We have put in bids for enough projects but companies are a little cautious."

BEL currently has a E&P order book of ₹750 crore. "About ₹500 crore of that will be billed this year and we expect to execute another ₹500 crore of new projects."

Spark Capital Advisors in a recent report said that the E&P segment will report a subdued performance in April-June period "as issues related to closure of certain sites are expected to result in higher than expected expenses.

Talking of lighting, Bajaj said that compact fluorescent light (CFL) bulbs are higher in value than its general lighting service (GLS) bulbs and fluorescent tubelights (FTLs) put together.

A CFL bulb costs almost eight times as much as a GLS lamp and almost twice as much as an FTL.

"The life of a GLS bulb is 1,000 hours and that of a CFL lamp is 5,000 hours, so there will be a reduction in replacement demand," he said, adding that the market size for GLS in India is about a billion lamps and 370 million for CFL.