

Revamp helps Bajaj Electricals turn around

Jan 31, 2005 , Hindu Business Line

Bangalore Jan 30, 2005: BAJAJ Electricals has restructured its entire operations, including shutting down some of its loss-making ventures, as part of its plans to turnaround the company.

Bajaj Electricals' President and Chief Operating Officer, Mr R. Ramakrishnan, told Business Line that the restructuring has helped the company to turnaround and now it expects to double its revenues to about Rs 1,000 crore within three years. The company hopes to end the current fiscal with a revenue of around Rs 630 crore, an increase of 20 per cent over fiscal 2003-04.

Mr Ramakrishnan said it had roped in Accenture Consulting to chart out a turnaround for the company. As per the new plan, Bajaj Electricals dropped its matrix structure for its organisation in favour of separate business units for each of its businesses. It now has five separate business units — engineering and projects, luminaire, appliances, fans and lighting. "Each of these units compete as separate businesses with its competitors," Mr Ramakrishnan said. The company also got rid of unviable businesses. For example, it shut down its diecast operations and offered VRS to 180 people. It also sold surplus land of the unit.

He said the company also went in for financial restructuring by swapping high cost funds with low cost long-term debt. The banks too have lowered interest cost and increased the moratorium for another two years.

The company plans to invest about Rs 20 crore, spread over the next fiscal, to double the existing capacity in its engineering unit to execute its Rs 160 crore worth of fresh order from Powergrid Corporation for erection and commissioning of power transmission tower.

Mr Ramakrishnan said the engineering unit, which registered a growth of 88 per cent over the last fiscal, is expected to outpace other business units. The company expects about 25 per cent of its revenues to come from its engineering business, he said.

Mr Ramakrishnan said with the PowerGrid according them the status of approved EPC contractors, it expects bigger orders from the power company. He pointed out that with an estimated investment proposal of Rs 75,000 crore by Powergrid Corporation, there was a huge opportunity for the company.

Mr Ramakrishnan said the company had entered into a licensing arrangement with Trilux, a leading European luminaries brand and a market leader in lighting in Germany. The tie-up, though is aimed to market the products to premium segments in the country, could lead to manufacturing Trilux products in the long term. Trilux would complement Bajaj's own products to provide full spectrum of lighting products, he said. Similarly, Bajaj's tie-up with UK's leading small appliances brand Morphy Richards had helped it to position itself in the premium end of the market.

Mr Ramakrishnan said Bajaj Electricals has a market share of between 15 per cent and 20 per cent in the appliances segment, 20 per cent in luminaries and 10 per cent in lighting. The company has also been able to take on the unorganised sector by offering competitive pricing of its products in the lower end. "Our China sourcing strategy has helped us to buy from the world's best without compromising on the quality of the products," he said.