# Mr. R Ramakrishnan, Executive Director, Bajaj Electricals Ltd.

Hemant P. Maradia / 05:28 PM , Dec 10, 2009

**Mr. R Ramakrishnan, Executive Director, Bajaj Electricals Ltd.**, and on the Board of the Company. He is responsible for the Lighting, Luminaires, Appliances and Fans SBUs apart from certain corporate functions such as IT, Advertising, Customer Care, TQM and Corporate Planning. Mr. Ramakrishnan is also a Director on the Board of Hind Lamps Ltd., a former Joint Venture with Philips. He is also a Director on the Board of Bajaj Ventures Ltd. (formerly Black & Decker Bajaj Ltd.). Mr. Ramakrishnan did his Post Graduation in Business Management from XLRI, Jamshedpur in 1982 after graduating in B.Sc. (Honours) from Osmania University, Hyderabad with a distinction in 1980. Prior to joining BEL, Mr. Ramakrishnan worked with Asian Paints (India) Ltd. for around 18 years.

**Bajaj Electricals Ltd. (BEL)** is a part of the "Bajaj Group" which is in the business of steel, sugar, two wheelers and three wheelers, besides an impressive range of consumer electrical products. BEL is a 70 year old company. BEL today has five major strategic business units comprising of home appliances, fans, lighting, luminaires and engineering & projects. It is also in the business of manufacturing, erection and commissioning of Transmission Line Towers, Telecom Towers, Mobile Telecom Towers and Wind Energy Towers. Export of all BEL's products except of its engineering and projects business unit is taken care of by group company Bajaj International Pvt. Ltd.

Speaking exclusively to **Hemant P. Maradia** of ***India Infoline***, Mr. Ramakrishnan says: "The QIP money will be used to fund expansion, working capital needs, repayment of debt and possible acquisitions."

**How much money did you raise from the QIP?**
We have raised Rs1.61bn through the Qualified Institutional Placement (QIP). We had an enabling resolution to raise up to Rs1.75bn. But, we did not have that much of a head room because we have some ESOPs and other things also.

We have issued 20,48,339 shares via the QIP. The price at which the shares were issued was Rs785. The floor price was fixed at Rs782.44.

**How was the demand for the QIP?**
The demand was very good and very positive. We are very happy with the kind of funds that have taken an interest in our company.

**Was the QIP oversubscribed?**
See, we would have been happy even with Rs1.1-1.2bn from the QIP. We have got much more than that and we would take it.

**What will be promoters' stake post the QIP?**
As a consequence of the QIP, the promoters' stake, which was 73.48%, gets reduced to 65.76%. The institutional stake will rise from 11.45% to 20.76%. The non-institutional shareholding will fall from 15.07% to 13.49%.

The total increase in the paid-up share capital of the company will be 10.51% post the QIP.

**What kind of funds took part in the QIP?**
We saw more of local funds participating in the QIP. We have got some very good names. We also have some overseas funds. What we are particularly happy about is that some existing investors of the company also participated in the QIP.

**How do you plan to utilise the QIP proceeds?**
The QIP proceeds will be used to accelerate further growth and fund various expansion plans. We will also use part of the money for long-term working capital requirements and to finance certain investment opportunities. In the near term, we would probably repay some of our debt and existing credit facilities.

The management will have the flexibility in deploying the proceeds.

**What will be debt-equity ratio?**
The debt-equity ratio will come down, from 0.9% as at March 31, 2009, to 0.5%.

**Brief us about your capex plans?**
In the normal course of business we keep aside Rs150mn for capex with our kind of a bottomline. We had a Profit Before Tax (PBT) of Rs1.41bn last fiscal year and PAT of about Rs900mn.

But, we will be looking at augmenting overall capacity; be it in our galvanized poles business, monopoles, transmission towers, etc. We will also be enhancing our capacity in appliances and fans.

**Are you looking at any inorganic growth?**
If at all we go for any inorganic growth it will be done in the domestic market. We might be looking at something in the appliance space; we might also look at acquisitions in the luminaries business.

And, we might look at acquiring some good electrical contracting companies with a synergy with our engineering and projects business.

**Are you planning any acquisitions abroad?**
I don't think so. It requires a lot of investments. And, we don't want to divert our attention from the domestic market.

We could look at an overseas acquisition if there is a distress sale which makes some economic sense. We might look at it on a case by case basis.

**What is your current order book?**
Bajaj Electricals started the fiscal year 2009-10 with an order book of Rs9.3bn. The same at present is Rs8.5bn.

Of that, about Rs4bn is in the transmission business. About Rs2.5bn is in the rural electrification business. About Rs1bn is in other lighting projects. Another Rs1bn is in high masts and galvanized poles business.

**How has the company performed in the current fiscal so far?**
Our businesses have done pretty well in the first half.

Our Operating Profit Margin (OPM) improved from 8.11% to 10.39%. Our revenue increased from Rs6.97bn to Rs8.77bn, up 26% YoY.

Our EBIDTA in the first half of the current fiscal rose from Rs565mn, to Rs912mn, up 61.4% YoY. The PAT improved from Rs224mn to Rs456mn, 104%.

**What is the outlook for the rest of the fiscal?**
In the first half of FY10, our profitability improved substantially. Our PAT margin improved from 3.2% to 5.2%. This augers well as we do 60% of our business in the second half of the fiscal year.

The only cause for concerns could be in terms of raw material prices. Copper and petroleum prices have already gone up.

But, we are confident about the future prospects given our brand equity, distribution network and other steps that we have taken to boost growth.

We have been witnessing pretty good growth over the past five years. Our revenues have grown at 29-30% CAGR in the last five years while our PAT has grown by 60% over the same period.