

MOVERS & SHAKERS INTERVIEW WITH MR. RAKESH MALHOTRA – MD, LUMINOUS POWER TECHNOLOGIES, NEW DELHI, INDIA

INTRODUCTION

Firstly Frost & Sullivan congratulates Luminous Power Technologies (Luminous), recipient of the 2007 Frost & Sullivan Market Penetration Leadership Award in the Asia Pacific Non-renewable energy DC-AC inverters market.

We are pleased to have Mr. Rakesh Malhotra, MD, Luminous Power Technologies, New Delhi, India with us for the *Frost & Sullivan* Movers and Shakers Interview. He will share his views on how Luminous has managed to achieve leadership position in the highly competitive and fragmented inverters market in the APAC Region.

BACKGROUND

1. Could you give us an overview of Luminous Power Technologies? What have been some of your Organizations' key highlights and benchmarks achieved since its inception?



Luminous Power Technologies (originally set up as SAR Silicon Systems), was founded by me in 1988. Initially, the company was focused on providing power conditioning and power back-up solutions to enterprise customers using UPS Systems, batteries and stabilizers etc. for their IT, telecom, process control, and medical applications. In 1991, Luminous started development and manufacturing of DC-AC Inverters to serve the residential and commercial power back-up markets, when these markets were either fed through polluting generators or low quality unbranded Inverters. Luminous from day one was focused on development of high quality reliable Inverters and has been the driver of the shift of this market from the unorganized to organized sector through brand building, channel expansion, building service infrastructure and of course, lowering the price gap between organized and unorganized players by product innovation.

Apart from Inverters, Luminous is a manufacturer of UPS Systems for desktop and server protection and Lead Acid Batteries for deep cycle applications.

Having said that, as a company

- We have been always in the forefront in introducing new products with better technical features and aesthetics.

- We have been using celebrities from Indian Cinema and Cricket as brand ambassadors to increase our products salience in India and other countries with populations of Indian origin.
 - In 1996 we started a 24X7 call center facility for customer complaint lodging. The complaint handling system used by us is completely automated through in-house developed software.
2. What is the unique factor that differentiates Luminous Power from other industry participants?

We feel that Luminous has quite a few differentiators; the key ones are:

- Product reliability and quality driven through technology and engineering
- Smart and effective marketing and communication for brand building
- Continuous expansion of our distribution network to increase reach in the market
- Competitive price offerings through product innovation, integrated manufacturing and supply chain.

GROWTH STRATEGY

3. In terms of focus within your organization, what are the business segments that are driving growth and why?

The back-up power Inverters and Battery business segments are driving the growth presently and will continue to drive growth for at least couple of years, as there is still potential to grow geographically not only in India but also worldwide by deeper penetration.

At the same time, we are getting prepared to expand our product portfolio to address application segments of Renewable energy, Telecom Power and Mobile power back-up. By end of 2008, we will have a complete product portfolio to address these markets, which will drive our future growth.

4. The Indian inverter market is highly fragmented with a fair presence of unorganized (localized) players. How do you plan to position yourself in this market and create a competitive advantage vis-à-vis the localized players?

Our competitive advantage in a highly fragmented market like India will come from

- Manufacturing scale, which we have already achieved to give us cost and quality advantage
- Multi-brand strategy (we are already serving market through three out of top six brands in Indian market, Luminous , Hyundai and Tez being no.1, 4 and 6, respectively)

- Shortest product development cycle to introduce new products with better specifications/features (better efficiency, fast charging etc.)
 - Narrowing the price gap between branded and local products
 - Effective MARCOM and Customer loyalty programs to have the top of the mind brand recall and reference sales
5. What do you view as the most significant challenge and opportunity in this industry in coming years in both India and the APAC region?

The most significant challenges:

- Improvement in power availability in urban areas will require us to penetrate deeper into smaller towns and villages across these geographies.

At the same time opportunities are

- Increase in paying capacity of consumers in smaller towns and villages
 - Energy consumption per capita will grow through use of more gadgets
 - Growth in industrialization will change the demand-supply equation of power
 - Renewable energy solutions will be more viable with cost coming down
6. Luminous had plans to invest approx US \$10 Million to set up 2 facilities for inverter manufacturing during the 2006-08 period? Assuming these investments will take place as per plans, for expanding its presence, what other strategies will Luminous adopt to strengthen its position in key markets in the APAC region?

As per plan we have already invested US \$6 million in our plant-III at Gagret, Himachal Pradesh and will invest US \$4 million in our new China manufacturing facility by March 2008.

Our strategy for the new China manufacturing facility is to feed APAC markets with competitive products and price more effectively by leveraging logistic advantages; whereas, our Indian facility will continue to feed SAARC, Africa and the Middle East markets. We are also planning to put required resources in marketing for brand building in APAC markets.

7. What other products or services will Luminous be adding to the mix in the near future?

As mentioned, we shall expand our product portfolio to address Renewable Energy, Telecom and Mobile Power markets by 2008-09. Moreover, we are going to expand our UPS product range from low power to high power ratings.

In services, we started doing Site Integration services for IT and Telecom infrastructure two years back. This year we have started offering datacenter design and build solutions to our Indian enterprise customers.

8. Revenue growth of Luminous Power is almost 5 times the industry growth rate. Could you kindly share with us how this has been possible and what specific strategy has the Organization adopted to stay well ahead of the market growth rate in the future?

We have been able to maintain our growth rates through:

- Highly reliable products and excellent after-sales-support, which led to sales growth through reference
- Aggressive pricing
- Below-the-line Marketing activities
- Product Innovation
- Increase in reach to customers through channel expansion

9. The company has planned an aggressive target of clocking revenues of \$250 Million by 2009-10 (almost 4 times the revenue of \$65 Million achieved in Y2006-07)? Will this growth be organic or there are plans for inorganic growth? What would be the contribution of the inverter business in driving this revenue growth

Our future growth will come from deeper penetration in India as well as APAC, Africa and Latin America markets supported by our Chinese manufacturing facility and focused marketing drive. The new products will also help in this. Apart from this we are also working towards inorganic growth through acquisitions.

In 2009-10, I believe the Inverter business will contribute around 60 percent of the total revenue targeted.

10. The company already exports its products to 28 countries across the globe? What are the specific plans to expand the company's presence in the export market with a view of achieving the aggressive revenue growth? How is the company positioned to tap the developed markets in Europe and North America where other global majors like Emerson, MGE etc. dominate?

I have already shared our specific plans for export markets in APAC, Middle East, Africa and Latin America. As far as developed markets like Europe and North America are concerned, we are planning to address these markets after FY 2009-10.

CONCLUDING REMARKS

11. Where do you see Luminous placed in this highly competitive inverters market in India and Asia Pacific over the next 5-7 years from now?

I see Luminous to be the market leader, serving all application segments in the Inverter category in the coming years.

12. What do you, as MD of the company, want to accomplish in the next couple of years? How would you define success for yourself and for Luminous?

For Luminous, I want to make the organization move towards the stated Vision and Mission of the company. Personally, I want to build a truly professional and competent organization, which can compete effectively in the global markets in the years to come.