INTERVIEW-Philips India not slim enough, says MD.
By **Chaitanya Kalbag**
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NEW DELHI, June 29 (Reuters) - Consumer electronics firm Philips India Ltd has shed nearly a third of its staff over the past five years, but is still not slim enough to achieve optimum shareholder value, its chief said.

Asked if Philips India, 51 percent-owned by Dutch electronics giant Royal Philips Electronics NV , was trim enough after the staff cuts, Managing Director K. Ramachandran said: "No, no, no. We still have a mismatch in terms of the cost structure of employment."

Once a dominant presence in India's consumer electronics business, and still the only major European player in a market now teeming with Asian rivals, Philips India is not about to look for market share at any cost, Ramachandran said.

Since India launched an economic liberalisation programme in 1991, Philips has been besieged by competitors like South Korea's Samsung Electronics and Japan's Sony Corp , Matsushita Electric Industrial Co Ltd and Aiwa Co Ltd .

"We don't look for market shares by being the lowest-priced player," said Ramachandran. "We will play across segments. We will be among the top quartile in terms of pricing."

Ramachandran told Reuters in a recent interview that Philips India had shrunk from about 9,000 people in 1989, when it started to tackle the issue of overstaffing, to just under 5,000 now.

"So very broadly Philips India has brought down its numbers by about 35-40 percent which is a sizeable figure. Over the past five years we have cut about 30 percent."

Ramachandran said the cost of employment was key to Philips.

"The cost 10 years ago of people in Philips India was in the region of about 12 percent (of turnover). It's now down to under seven percent of turnover....I would be happy if we could contain our employment cost to under five percent."

Ramachandran said he would like to look at staff costs in terms of added value. "For every one rupee we spend on employment, we should be able to get back six to seven times in added value.

"Are we generating sufficient shareholder value? No, we are not, and that is a prime objective" for the next three to four years, he said.

Philips India shares hit a 1999 high of 190.10 rupees on March 22, up from 126.20 on December 31 last year, and were trading at 153.25 at 0845 GMT on Tuesday.

The company reported net profit of 119.77 million rupees ($2.8 million) for 1998, against a loss of 141.37 million in the previous year.

Ramachandran said Philips India contributed less than two percent of Philips sales worldwide. "As a future market...China, India and Indonesia will be the three most important markets."

Philips India has over 35 percent of the lighting market in India, and about 32 percent of the audio market.

Ramachandran said Philips had under eight percent of the Indian television market. "We would like to take that to 14-15 percent over the next year or two."

He said Philips would be a major player in India across the range of price points. "Philips is strong right from radios through to CD portables, from pigmy zero-watt lamps to high-intensity lamps for streetlighting. We are mass market players who have products for the entire range of consumers."

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He said cost structures had changed dramatically in India's new markets. "Market dynamics and choice have increased."

In April, Philips India reported a good first quarter 1999, with a net profit of 44.6 million rupees from a loss of 106.1 million a year earlier.

"But one swallow does not a summer make," Ramachandran said. "I'd like to see consistent performance for 12 quarters. But we are optimistic...we are not out of the woods on some of our areas; we have a long way to go."

($1 = 43.35 rupees).

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