MICROMAX INFORMATICS

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Micromax Informatics

Company Info

Micromax is an Indian electronics company with its headquarters in Gurgaon, India. It is the 10th largest mobile phone player in the world. Micromax was incorporated as Micromax Informatics Ltd. on 29 March 2000. They started selling mobiles in 2008 with a focus on low pricing, in order to compete with international brand. In 2014, Micromax surpassed Samsung to become the mobile phone manufacturer shipping the most number of phones in a single quarter in India. Micromax sold almost 1 crore mobile phones last year with an average price of Rs 4000. The company is valued at around 21000 crores.

Products

The company has many firsts to its credit when it comes to the mobile handset market including the 30-day battery backup, Dual SIM Dual Standby phones, QWERTY keypads, universal remote control mobile phones, first quad-core budget smart phone etc. The brand's product portfolio embraces more than 60 models today, ranging from feature rich, dual-SIM phones, 3G Android smartphones, tablets, and LED televisions and data cards.

Stores & Shopping-

Micromax sells in more than 560 districts through 1,25,000 retail outlets in India. It is available in almost all the states in India through their exclusive brand shops. Their reach has been amplified many times because of the availability on all the online mediums. Apart from this, they have distribution network in Bangladesh, Sri Lanka, Nepal and Russia.

Subsidies from the Govt.

Right now, Micromax is availing the benefits of Modified Special Incentive Package **Scheme (**M-SIPS). The scheme provides subsidy for investments in capital expenditure - 20% for investments in SEZs and 25% in non-SEZs. It also provides for reimbursement of CVD/Excise for capital equipment for the non-SEZ units.

Make in India for Micromax

Micromax subsidiary Yu Televentures has announced that the next batch of its phones will be made in India. The primary attempt is to benefit from a duty structure that is favourable to those manufacturing or assembling in India. There are massive differences in duties when these companies import a finished product, rather than merely a component. While a smartphone attracts a duty of around 12.5 per cent, its components can be imported at just 1 per cent. Mobile manufacturing companies are trying to take advantage of this massive skew in the duty structure. [2]

Diversification Strategy

Products

Micromax Informatics currently operates in software, mobile phones, mobile tablets, TVs etc. This is a moderately diversified portfolio for a 15 year old company. It has entered the consumer electronics recently. Most of similar players globally have expanded their portfolios pretty faster than Micromax. Most of the Chinese players have expanded in all the segments at the same time. All the major South Korean players have also done the same, but they are backed by major chaebols. Apple was slow in raising stakes while graduating from iPod to iPhone to

Apple TV. Considering the growth overview of similar companies worldwide, the product diversification for Micromax is good as of now.

The primary problem Micromax could face is the intra-segment product portfolio. Micromax has introduced several mobile phone models akin to what Samsung mobiles or Nokia. The current product portfolio for mobiles segment is detailed enough but lacks offerings in the higher priced categories. It has attempted to bring in some exclusivity with its Yu range & Cyanogen software, but has not been able to create buzz. The tablet business has functioned quite similar to the phone/handset business.

Micromax has diversified into televisions, but the product range is not robust. It is plagued by several customer complaints. Most electronics review sites view its products to be inferior. The only competitive advantage its products offer is the price range, which is much lower as compared to any competitor.

The primary strategy for the company should be to improve upon its product offerings in mobile phones & improve the product quality in its TVs

Geography

The Rudrapur, Uttarakhand & Alwar, Rajasthan plants are primarily churning out televisions & mobile phones respectively. It is also investing heavily in a Hyderabad facility for mobile phones as well. The company seems to be taking due advantage of the Make in India program.

Although, the demand for Micromax products is high as of now & newer production facilities are needed, in the slightly longer run, it would need to reinvent its product portfolio as explained in the section above. This would mean reorganizing its production facilities as well. The current manufacturing facilities are located at relatively remote locations where it is difficult to source components.

The company should aim at setting up major ancillary units close to its manufacturing facilities. It may create an ecosystem for that similar to what it has done for its software business. It needs to consolidate its current Indian facilities.

The company should also evaluate selling its products on a much more global scale. The company has ventured primarily to medium priced products and can tap into the huge market potential of Eastern Europe, Asia, Africa and South America. Currently, it operates only in the Indian subcontinent and has recently ventured into Russia.

Implementation Strategy

Micromax currently manufactures all its handsets in China. It has attempted to shift manufacturing to India. Under ‘Make in India’ program, the Govt. of India is providing incentives to set up manufacturing plants in India.

The three manufacturing facilities in India need to be consolidated first. The Uttarakhand facility does not have a secure supplier base. Without a secure supplier in place, the plant can run into losses in times of distress. It has to invite other suppliers to set up their production facilities nearby. Most mobile components are manufactured by contractors. The major electronics have to be sourced externally for now, but a self-sustaining ancillaries unit can be set up within 3-4 years.

The manufacturing facilities in Rajasthan & Hyderabad are relatively secure in terms of suppliers. These facilities currently manufacture LED TVs. The plants can be made more versatile in terms of products made as TV manufacturing unit will have a circuit assembly unit and this can be easily expanded to a handset assembly line. This will make it easier for the company to respond to demand changes in southern part of India. It can also attempt to set up an ancillaries unit similar to the Uttarakhand facility. This will help it cater to Indian demand.

The current manufacturing facilities in India can cater to the global markets. China already has an extensive supply chain network which can be leveraged to distribute its products globally.

Focusing on home market, India, the company has to build major warehouses across the country in states that do not have manufacturing facilities, but have huge demand. It can target states like UP, Maharashtra, Tamil Nadu & West Bengal that already have a huge consumer base with high demand for low-price high-feature (the segment in which Micromax is a leader). These warehouses can be used to make sure that the supply never fails for these segments. There is a similar demand for cheaper LCD & LED TVs in these states with high working youth population. Tier-II cities also have a high demand for such products. The TV plants situated in Rajasthan & Hyderabad can complement each other in terms of production and make sure the supply is smooth pan-India.

The sales & marketing team has initiated a campaign with Hugh Jackman to promote its handsets globally. It has to initiate a similar program for its TV business. The sales in TV segment has not really picked up for Micromax. The company has to slowly build a customer complaint management network across the country and in countries it targets to expand to.

The company would need to build a R&D unit to support its product development. An active but small development centre will suffice as of now as it does not need to target for any breakthrough technology. It primarily needs to assemble low cost products for now. Bangalore can be targeted to set up its primary research & product development centre.

Challenges

A major challenge that the company would face while setting up its Indian plants is the lack of skilled & disciplined labour force. The company can easily train its workforce, but discipline is a tough issue. Most of the labour forces are run by unions, which operate on their own terms & political agenda. The country also has the problem of bandhs & does not have a very reliable transportation network. The power supply is also intermittent in nature in India. The problem for the company would be to keep delicate manufacturing such as circuits etc. on a smooth basis. This could pile up to huge losses in case any problem arises. The company will have to plan for contingencies of this sort.

Support & Investment

Micromax is currently funded by TA Associates, Sequoia Capital, and Sandstone Capital & Madison India Capital. It has been supported by several funds and also is directed by advice from all these funding ventures. Micromax now needs to diligently allocate its resources and execute the plan step-by-step without rushing through any of them to grow into a much larger company than it currently is now and become one of the first success stories of Make in India program.

References

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