Maneck Davar, CEO of Spenta Media, believes that the top end of the market has room to grow.

WHEN MATRIX COMSEC'S SALES SLUMPED 10% in the quarter ending December 2011, the Rs 60 crore Vadodara-based telecom equipment manufacturer did the unthinkable. It upped its advertising budget from Rs 1.5 crore to Rs 2.5 crore and chalked out a strategy that it hoped would help it claw its way out of the slowdown.

Matrix found that many of its customers paid their employees' phone and Internet bills—but given the current slowdown, these communication expenses were being cut. Matrix, which makes telecom equipment ranging from GSM and Voice over Internet Protocol (VoIP) products to voice switching and messaging devices, began working on technology that could help customers bring down their communication expenses. The company started creating products that would use SMS (text messaging) solutions in a business telephone system (EPABX or private automated exchange), so customers could take advantage of the lower costs of mobile telephony, including cheap SMS rates. Its latest EPABX system, expected to be ready by June, will sport several SIM slots that will allow calls to be made on the mobile network while using a landline phone; it will even support SMS. Keeping in mind that the future of communications lies in IP (Internet protocol, where calls can be made through the computer), its new EPABX system is IP compliant.

To encourage buyers to spend on new technology in the middle of a slowdown, Matrix's sales pitch is that it will help reduce telecom bills and recover equipment costs in less than a year. Says Sajeev Nair, product management head, Matrix Comsec: "Unlike in a boom, customers are insistent on buying products that make them more efficient. So there's scope for sales."

A media company chief financial officer who is evaluating Matrix's equipment believes it's on the right track—at his company, sales have trebled in the last three years but communications expenses have quadrupled. "The allure here isn't the technology, but the fact that we can do all we're doing and more, at less cost," he says.

Some go a different way. During the 2008 slowdown, Maneck Davar, CEO, Spenta Media which brings out niche magazines and in-house publications for companies, did not cut rates for advertising or publishing. He reasoned that his charges were already reasonable and there was no room to cut back. Spenta lost business. During the present slowdown, Davar has again not cut costs, but his businesses have grown by 20% to 30%. He says there is room at the top end of the market.

Stories of how India Inc. is coping with the slowdown appear every day. But most of them focus on the big companies, which, perhaps also have greater resilience. It's the smaller companies that have to bear the brunt of any slowdown. Many aren't just struggling with falling demand, but also with higher costs of finance thanks to an unbroken period of high interest rates. With two slowdowns in quick succession—one after the Wall Street debacle in 2008 and the ongoing one—distressed loans restructured by banks will touch a record Rs 1.5 lakh crore in 2011-12, according to data from the Reserve Bank of India.

In this background, exacerbated by the poor overall

performance of the telecom sector, Matrix's move to invest in new product development and hike advertising spends seems counter-intuitive. But thinking differently is the new norm, at least for smaller companies. Take Grohe, a German premium bathroom fittings company. The outlook for the real estate sector, which determines Grohe's fortunes, is pretty bleak. With construction activity no more like it was during the boom about five years ago, there's a haze of uncertainty hanging over the sector. Real estate companies such as DLF and Unitech are mired in debt and have had to delay the delivery of apartments, leading to a slowdown in the demand for premium sanitaryware. Budget 2012 offers no solace—in fact, it further weakens the sector's prospects with higher service taxes on new homes.

Investing in a premium store at this point seems futile. But that's exactly what Grohe has done with its lavish 'Live Center' in Mumbai, which is intended to give architects, developers, and designers an experience of what's on offer. Grohe chose the upscale Hiranandani residential complex, overlooking Powai Lake in suburban Mumbai, for the store. The company's strategy: Target the replacement market. Grohe is offering a 30% rebate on its products to lure the Hiranandani complex's residents into replacing their decade-old sanitary fittings with newer ones. (The complex was built in the '90s). Says Renu Misra, Grohe India vice president: "A lot of these products are new for Indians and they have to be convinced that this is value for money."

At the same time, to compete with local brands, Grohe launched a less expensive just-for-Asia range, manufactured in Thailand. The new range helped Grohe's sales grow by over 40% in the last six months. India is now its largest market for vertical spas, which cost Rs 1.5 lakh to Rs 2.5 lakh. In the next five years, it expects to capture 50% of leader Jaquar's market share.

These certainly aren't the best of times for Indian businesses, but they might well be the best of times for tales of innovation and daring among businesses that are working hard to stay afloat—even in the financial services sector which has borne the brunt of the slowdown.

IN HIS 10TH FLOOR OFFICE in Mumbai, Karan Bhagat, CEO and managing director of IIFL Wealth Management, looks unlike any other wealth manager. He's casually dressed in jeans and a checked shirt, and his TV is tuned to a sports channel rather than the standard business news. It doesn't show that