

Blue Star to increase prices in first week of April: MD

Last Updated: Mar 23, 2021, 03:14 PM IST

Synopsis

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Blue Star MD expects 30% growth in Q1 of FY22

B Thiagarajan, MD, Blue Star [NSE 2.91](#)%, gives a sneak peak into the pricing of commodities for the coming summer. He also talks about business expansion in commercial refrigeration. Edited excerpts from an interview given to ET Now.

ET Now: We have been trying to get a sense of the rising commodity prices, you have already taken a price hike in January, do you see a further need coming up?

B Thiagarajan: Yes, actually we will be increasing the prices with effect from April once again. In January, we had hiked the prices between 5-8%, another hike of 3-5% will be happening in the first week of April because we had hoped that the commodity prices will soften, they did not, ocean freight as well as the local transportation charges are high too. We have no other way except to pass on this price hike.

ET Now: To what extent do you feel you can do this without hampering demand?

B Thiagarajan: I think 3-5% price hike should be done and demand will hold because it is the summer season, people are not going on vacation, they will be working from home, they will continue to work from home and therefore they will tend to make it comfortable at home.

What can happen is that the demand for lower end products will be higher, someone willing to buy a five star may end up buying a three star air conditioner or within three star it may be entry level product. That is one of the reasons why we have re-jigged our product portfolio.

ET Now: Your pricing already is one of the highest amongst peers, do you see competition also heating up if you do hike prices. Will this make it more challenging for Blue Star?

B Thiagarajan: We have changed our price positioning with effect from March 1. We have around 32 out of 90 products priced at around 10% lower than last year even after the price hike. The strategy is to attract entry level buyers, tier-3, tier-4, tier-5 buyers, aspirational middle class. In order to move up our market share to 15% in North-India, we are actively involved in advertising expenses. We used to be spending around 35 crores for the season, we have increased it by additional 25 crores. We want to become relevant as a brand.

ET Now: What are the revenue expectations this summer? Do you see pre-COVID levels in Q4 and the kind of demand you expect this time around?

B Thiagarajan: Q3 itself saw around 17% growth over the previous year. In Q4, I expect the growth should be around 20% and in Q1 of next fiscal year, the industry is expecting somewhere around 30% growth given the demand that is emerging across various markets. Of course there are elections lined up in quite a few states where the demand is yet to pick up and there is a fear of second wave too, but at the same time people are going ahead with purchases so we are not seeing the slowdown.

ET Now: Any continued shortages or challenges on imports of components?

B Thiagarajan: The challenge we are facing is the availability of containers for critical components like compressors or micro processors, the waiting period is very long even after paying 2-3 times more than the actual cost. So we have to plan it well ahead to get the components on time. It is the commodity price escalation which is our major concern as of now.

ET Now: What about some of the other segments that you are looking at making further investments coal room, refrigeration equipment etc?

B Thiagarajan: Commercial refrigeration is doing extremely well with 25% growth seen compared to previous year, same quarter. It is driven basically by the deep freezer and cold room segments, hence sectors which are doing extremely well are the pharmaceutical and healthcare.

The second one is the food processing sector, it has expanded over the period. Going forward, investment will take place in healthcare infrastructure as well as agri infrastructure, therefore we are very optimistic about commercial refrigeration. We have new factories coming up in Wada at an investment of around Rs 135 crore looking to expand the capacity for both cold rooms as well as the freezers out there and electromechanical projects in the manufacturing sector have also opened up in a big way. Quite a lot of factories are coming up, we do their electrical mechanical pumping, fire-fighting and air conditioning. Manufacturing industry is helping us to grow business. The outlook for next two-three years looks excellent.

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