

2022 will set the tone for competition and localisation in air conditioner market: Blue Star MD

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PLI scheme launched in 2021 will be key driver of this trend

2022 will set the tone for supply chain transformation, and the air conditioner market is set to become super competitive according to B Thiagarajan, Managing Director Blue Star Ltd.

A key contributor to this, according to Thiagarajan is the

Product Linked Incentive Scheme for white goods launched in February 2021.

The production linked incentive is provided on the excess sales made by the applicants, and given the sheer number that has applied under the scheme, Thiagarajan believes that for 2022, the competition is going to be “very intense”. “With the competition being intense, consumers are going to benefit, and the market is going to grow and explode.”

According to the Department for Promotion of Industry and Internal Trade, a total of 52 companies have filed their application with a committed investment of Rs 5,866 crore under the PLI scheme to incentivize the domestic manufacturing of components of White Goods (Air conditioners and LED lights).

Companies like Daikin, Panasonic, Hitachi, Voltas, Blue Star, Havells, Syska among others have applied for manufacturing critical components of air conditioners.

The PLI Scheme on White Goods is designed to create a complete component ecosystem for the air conditioner industry in India and make India an integral part of the global supply chains. The Scheme shall extend an incentive of 4 per cent to 6 per cent on incremental sales for a period of five 5 years subsequent to the base year and one year of gestation period.

Over the next 5 years, the scheme is expected to lead to the total production of about Rs 2,71,000 crore of components of ACs and LEDs. The scheme will bring additional investment in the component manufacturing eco-system of ACs and LED lights industry to the tune of Rs 5,886 crore. 31 Companies have committed investments of about Rs 4995 cr for AC Components according to the DPIIT

Thus 2022 will see the air conditioner market flooded with products geared towards the aspirational middle class according to Thiagarajan. “The net growth story for India is in the tier 3-4-5 geographies amongst this consumer segment. The brands need to become relevant to those markets, service centres need to penetrate here” he said.

With the PLI promoting localisation as well, Thiagarajan believes that imports will decrease by 30 per cent on the components side. Setting aside import of raw materials, the imports should become almost negligible in the next 4 years according to Thiagarajan.

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