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Inflation hits summer sales of consumer durable firms

While some see overall degrowth, some bet on ACs bucking the trend

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Mumbai, July 2

Inflation has taken a toll on consumer demand for air-conditioners (ACs) and refrigerators in the summer, according to top consumer durable companies. As inflation chips away at discretionary spending, summer sales are not up to the market's expectations, Kamal Nandi, Business Head and Executive VP at Godrej Appliances, noted.

Speaking to *BusinessLine*, Nandi said: "We were expecting the market for cooling categories to grow by 12-15 per cent over the pre-pandemic levels. On the contrary, the market has seen degrowth, starting from mid of May. June has been worse. At an industry level, it has shrunk from 2019 levels by 20 to 25 per cent."

According to Nandi, Godrej will achieve pre-pandemic sales, in value terms, after two consecutive washouts of summer sales due to Covid. Trends of inflationary pressures exist for Godrej in the mass segment, particularly in refriger-



Air-conditioners sales generally have shown better resilience than refrigerators sales

ators which is showing a degrowth for the company. However, the premium segment has become a bigger contributor to the overall portfolio. "Our premium segment has grown from 16 per cent to over 30 per cent of our portfolio in sales value," Nandi explained. Thus, the premium segment has added resiliency to an otherwise damp squib summer sales of mass consumer products.

ACs fare better

However, B Thigarajan, Managing Director, Blue Star, said within the cooling category,

air-conditioners will prove to be more resilient and their sales will be less affected than refrigerators.

"I expect AC, as a category, to grow by 15 per cent over 2019 levels if we take cumulative sales for this fiscal year. Demand has indeed gone down in May and June this year, but this is both a result of inflationary pressures and peak summer sales for ACs moving to April and March instead of later in the summer."

Expectations not met

After two back-to-back Covid summers, the industry play-

ers were banking on the 2022 summer season for exceptional growth due to pent-up demand.

This is why even after a 30 to 40 per cent decline in summer sales, companies such as Hitachi and Godrej predicted double-digit growth in sales in summer 2022.

In April, Johnson Controls-Hitachi Air Conditioning India which sells residential AC under the Hitachi brand, said the work-from-home culture is driving the growth of the industry, while the pent-up demand might also lead to a shortage of air-conditioners this season. Godrej's Nandi had also predicted 12 to 15 per cent growth in sales as well, over pre-pandemic levels. However, Godrej Appliances now expects its sales to match 2019 levels.

Top executives note that the 2022 summer has its own challenges with inflation and other pressures. However, experts tracking consumer durable retail still believe that sales this year could grow over pre-pandemic levels.