

Sales of AC, other cooling products again hit by pandemic in peak season; cos now pin hopes on extended summer

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For the second consecutive year, sales of air conditioners (ACs) and refrigerators have been hit during the peak season of April and May due to the localised lockdowns and restrictions on account of surging Covid cases in the country.



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For the second consecutive year, sales of air conditioners (ACs) and refrigerators have been hit during the peak season of April and May due to the localised lockdowns and restrictions on account of surging Covid cases in the country. The pandemic situation has forced companies to recalibrate their target and go for pre-Covid (2019) sales number without being too aspirational.

Leading players in the segment including Voltas, Daikin, Blue Star, Panasonic and Haier reported almost 75 per cent dip in April sales this year when compared with the same month of 2019 performance. Moreover, May 2021 has been a complete washout so far for them.

On top of the present situation, consumer sentiment has been further hit amid reports that there may be a third wave of the pandemic, which further dampens chances of a recovery in sales of compressor-based cooling products such as ACs, refrigerators etc, as people are preferring to keep expenses on hold till the time Covid situation improves.

Leading AC maker Voltas said it was expecting a double-digit growth this fiscal but now the second wave and subsequent restrictions have led to a recalibration of targets.

“Initially while budgeting, we had a lot of aspirations to grow more than double digits but now due to the first quarter getting washed out, our endeavour will be to catch up with last year,” Voltas MD and CEO Pradeep Bakshi told PTI. Expressing similar views, Daikin Airconditioning India MD & CEO Kanwal Jeet Jawa said: “If we are able to achieve what we have done in 2019, that would be good enough.”

Last year, April was washed out and May was just 10 per cent (of May 2019) and June was less than 25 per cent of (June 2019 sales). Sales in April this year were 80 per cent of those clocked in the corresponding month of 2019 as only first 15 days of the month were good in terms of activities. May is looking like a complete washout and June could be 75 per cent of 2019, Jawa said. Panasonic India and South Asia President and CEO Manish Sharma said the sale of AC started in March on a positive note, but due to the sudden surge in the number of cases in the second wave and most of the states imposing partial lockdowns, summer sales are being hit.

“We are keeping a close watch on the situation but, we may see a loss of over 50 per cent against sales projections during the ongoing quarter (April-June). We have inventories in stock to ensure a smooth purchase experience for our partners and consumers across offline and online channels,” he said.

Normally, the April-June quarter, as mercury rises in the peak summer, contributes around 30 to 35 per cent to overall sales of ACs and other compressors based cooling products. According to the Consumer Electronics and Appliances Manufacturers Association (CEAMA), the entire month of May, which is a period for peak sales of cooling products, would be almost a washout for the industry, as only 15 per cent of the market is open and footfalls at stores are negligible.

“I am looking at the trend”, which is similar to that of last year, said CEAMA President Kamal Nandi.

According to Haier Appliance India President Eric Braganza, the only hope is these lockdowns and curfews are restricted till June but the problem is that by the end of that the season would be over. “This is a crucial month and if you lose it, then you can not make up,” he said adding that in AC segment, there would be no growth and it would be like last year. “We were expecting this year to be better than 2019 but again it would like 2020.”

However, companies such as Blue Star are still hopeful and are expecting double-digit growth despite these obstacles.

Given the poor penetration level of the category, sales should pick from June onwards helped by factors such as pent-up demand and work-from-home, etc.

“My estimate is 10 to 15 per cent growth for the year,” said Blue Star Managing Director B Thiagarajan.

Bakshi said Voltas will try its best to catch up in the next few quarters. “In terms of matching up to our performance in last to last year (2019-2020), it is too early to say right now as it depends on several factors. If the summer season is longer, humid, harsher and continues till July, maybe we will be able to match those numbers,” he said.

However, CEAMA president Nandi warns about a possible hike in prices for residential ACs on account of continued inflationary pressure on inputs.

“Industry has to take the balance hike of 20 per cent, they have already increased 12 per cent so far and has to take the rest 8 per cent. A hike will happen as things become normal. This whole impact of the price increase and disturbance and disruption would have a challenge in the second quarter also,” said Nandi.

Unlike last year, when the market picked up in July and August, this year people are talking of the third wave, Haier’s Braganza cautioned. “Last year after the pandemic people were not scared. This year, the mental frame of people is going to be different. People are going to save money anticipating the third wave as people have to incur money on the medical bill. I do not think that the market would respond the way it had done last year,” he said.

The Indian residential AC market is estimated to be around 7 to 7.5 million units per annum and over 15 companies compete in the segment.

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