

## PLI Scheme To Help To Indian AC Industry Compete Globally

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**06 November, 2021**

by **BW Online Bureau**

The production linked incentive (PLI) scheme for the white goods sector approved by the government earlier this week will help provide a level-playing field to domestic players and create an enabling environment for the air conditioning industry to compete globally, leading manufactures said.

This will provide a conducive manufacturing environment and the companies will get the opportunity to manufacture high-quality products that are at par with their global counterparts, said the leading industry players, including Daikin, Voltas, Blue Star and Panasonic.

On November 3, the government had announced the selection of 42 firms as beneficiaries under the PLI scheme for the white goods sector. The selected applicants include 26 for air conditioner manufacturing with a committed investment of Rs 3,898 crore. The highest approved proposal of Rs 538.70 crore, in terms of investment, was from Daikin Industries, the world's leading air-conditioning company.

Daikin Air-conditioning India, a completely-owned subsidiary of the Japan-based company will manufacture compressors, heat exchangers, sheet metal components and plastic moulding components under the PLI scheme at Sri City, Andhra Pradesh, where it is setting a 75-acre greenfield project.

"This investment is not only for India, but we are also looking for an exports market in a big way. We were keen that it should be also on the finished goods but nevertheless, it is just a beginning. We have been observing the government approach. It's quite positive," Daikin India Chairman & Managing Director K.J. Jawa told PTI.

Through this PLI scheme, the company is aiming to make India a production hub for the African and Middle East markets, catering to almost half of the world population from its Indian factories, he said. "We are now looking at Make-in-India for exports. The Middle East and Africa is the ideal market to be catered from India. We are looking at China-plus one model and capitalising on the current resistance against China after the pandemic. Daikin has established itself very well in the last few years. For the third plant, which we are putting at Sri City, we have taken 75-acre land. We would be putting up a compressor plant, device factory and also heat exchanger," Jawa added.

Leading domestic AC maker Voltas' proposal for manufacturing of cross flow fan (CFF), heat exchangers and plastic moulding components have been approved and now the Tata group firm is looking forward to strengthening its domestic manufacturing.

"We look forward to strengthening India's domestic manufacturing prowess through our several manufacturing facilities at Waghodia, Pantnagar and Sanand. As the leaders in the category, we will continue to drive the Atmanirbhar Bharat initiative and persevere to boost India's economy as well as improve the communities we operate in. We highly appreciate the government's support and look forward to carving a niche for India as the next important destination in the global manufacturing sector," said Voltas Managing Director and CEO Pradeep Bakshi.

The government has provisionally selected applications which include Daikin Airconditioning India (with committed investment of Rs 538.7 crore), Amber Enterprises India Ltd (Rs 460.18 crore), PG Technoplast (Rs 321 crore), Hindalco Industries (Rs 539 crore), Mettube India (Rs 300.21 crore), and Blue Star Climatech (Rs 156 crore). The list also includes Havells India (Rs 112.71 crore), Johnson Controls Hitachi Air Conditioning India Ltd (Rs 100.67 crore), Voltas (Rs 100 crore), IFB Industries (Rs 57 crore), Dixon Devices (Rs 51 crore), Panasonic India (Rs 50 crore), Syska LED Lights (Rs 150 crore) and Haier Appliances (India) Pvt Ltd (Rs 183.55 crore).

Panasonic India CEO Manish Sharma said a "major milestone" has been achieved in making India self-reliant in the AC manufacturing sector. "Last year, the Indian AC market was pegged at around 7.5 million. Of this, 2.5 million were imports which have come down significantly due to the ban on the import of gas-filled ACs. We expect the market to touch nine million this year and of this 8-8.5 million will be manufactured locally.

"Currently, ACs come with 25 percent local value addition and with the current PLI scheme, this can go up to 75 per cent in next 3-5 years, " said Sharma who is also Chairperson, FICCI Electronics & Manufacturing Committee. This will also enable design-led manufacturing, fuel innovation and drive component exports along with finished ACs from India, he said.

"In the foreseeable future, I see a lot of exciting developments in component design capability and growth of the MSMEs and SMEs," he added. Blue Star Managing Director B. Thiagarajan said it has got approval for heat exchangers and sheet metal components for its coming project at Sri City at Andhra Pradesh, where it is investing to set up a greenfield manufacturing unit.

"The component ecosystem in the country in the next three years would be good. We are investing in the backward integration of sheet metal components and heat exchangers. Similarly, some other companies are also investing in different components such as compressors, electronics etc," he said.

The Consumer Electronics and Appliances Manufacturers Association (CEAMA) said the scheme is a "huge step forward" for Atmanirbhar Bharat and would help the country achieve self-sufficiency in component manufacturing for the air conditioning sector.

"The scheme will lead to inclusive growth, which in turn will aid in creating more job opportunities in the country and will also put an upward thrust in the economy by bringing in large-scale manufacturing to India," said CEAMA President Eric Braganza.

In the long term, it will make India an important player globally while also making the companies competitive locally, he added.

<http://www.businessworld.in/article/PLI-Scheme-To-Help-To-Indian-AC-Industry-Compete-Globally/06-11-2021-411091/>