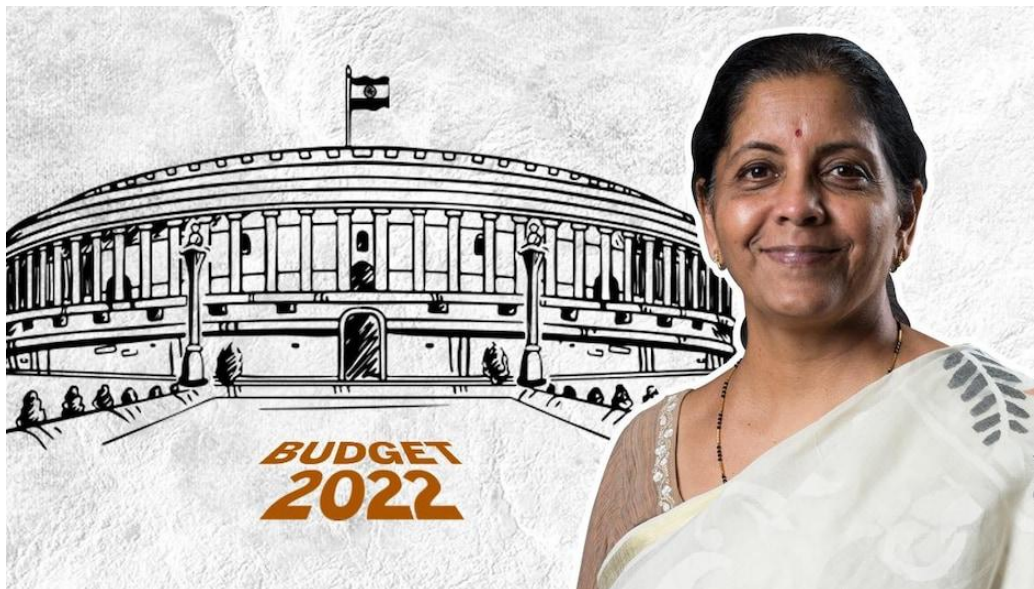


Budget 2022: Consumer durable makers seek lower taxation, better incentives

Amid falling demand and record high inflations across the board, the country's consumer durable makers are seeking some relief from the Finance Minister in the upcoming Budget on 1 February.



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Arnab Dutta

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Amid falling demand and record high inflations across the board, the country's consumer durable makers are seeking some relief from the Finance Minister in the upcoming Budget on 1 February. As steadily rising prices of raw materials and components are pushing the prices of appliances beyond the reach of a section of the households, makers of air conditioners, washing machines and refrigerators are expecting lowering of tax burden that may cool off price hikes for now.

“In the backdrop of the pandemic, the Union Budget 2022-2023 will play an important role in bringing the white goods sector on track. The industry has been grappling with unprecedented commodity prices and shortage of components on supply side and subdued

volume growth especially in high volume segments on the demand side,” said Kamal Nandi, business head and Executive Vice-President at Godrej Appliances.

The record high levels of inflation in input costs for all key home appliances and electronic items, have forced manufacturers to hike prices at least three times since late-2020. On an average, prices of large appliances and electronics like AC, refrigerators, washing machines and television sets have gone up by 15-35 per cent. However, as shortage of chipsets and constant rise in costs like ocean freights, continue to push their costing levels up, manufacturers margins have suffered too.

Further, the steady rise in prices have threatened their top-line growth now as demand has been impacted. In fact, after registering bumper sales during the second half of 2020, post-unlocking, volume uptake for durable items fell significantly in early-2021 during the wedding season. According to companies, while rural sales suffered the most, in urban markets too signs of distress became visible.

Since then, they rue, prices of components have gone up further by 25 per cent, while cost of ocean freight have jumped by up to 9 times. Cost of logistics, that is heavily dependent on fossil fuels like diesel, have surged by 40 per cent, while plastic prices have gone up too.

“As 65 per cent of raw materials used in electronics items comes from our adjacent country, which keeps fluctuating prices, it destabilise the markets in India. Further, cost of ocean freight has increased by about 900 per cent. While shortage in supply of chipsets is hampering our production cycles”, said Avneet Singh Marwah, CEO, Superplastronics, that makes Kodak, Thomson and Blaupunkt brand of smart TVs in India, to Business Today.

Under these circumstance, companies are now demanding lowering of GST slabs for durable items. According to Manish Sharma, CEO, Panasonic India, and South Asia, “Lowering the GST slab to 18 per cent from the present 28 per cent would help offset the price pressure, boost affordability, thus spur the penetration level of ACs (both, split and window) in the country.”

According to Marwah, lowering of taxation would lift demand, which consequently will help the seize of the market grow faster and bring economics of scale to local manufacturers.

Change in GST slabs, are however, a proposal that can be considered only by the GST Council and is not under purview of the union budget.

To lift the consumer sentiment, industry veterans like B. Thiagarajan, managing director at air conditioning major Blue Star, are hoping that the government would not burden consumers with direct taxes. “Income tax slabs should be kept intact, if not lowered”, he told Business Today.

“The only way forwards in lifting demand, I believe is by increasing government spending in building infrastructure. It would lead to job creation and will pump money into the economy”, he added.

Neeraj Bahl, MD & CEO, BSH Home Appliances said, “We appeal to the government to consider reduction on import duties, as high duty rates are impacting growth potential of consumer durables category especially in emerging segments like Dishwashers. We are optimistic on the recovery and growth potential of the consumer durables industry with premiumization driving the category ahead.”

<https://www.businesstoday.in/union-budget-2022/expectations/story/budget-2022-consumer-durable-makers-seek-lower-taxation-better-incentives-320655-2022-01-28>