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Sweltering heatwave spurs AC, fridge sales

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Makers of cooling appliances such as air conditioners, refrigerators and fans are reporting significant demand as heatwave conditions grip large parts of the country earlier than usual. Companies said demand for ACs this year could be 20-30% higher than in the summer of 2019 unless another wave of covid unfolds.

Demand for ACs and refrigerators is led by first-time buyers, households replacing cooling devices, and increased construction of homes and offices.

B. Thiagarajan, managing director at AC manufacturer Blue Star Ltd, said early demand trends for the summer are promising. "Going by what is happening in March, we should be able to match our

targets, that is, report at least 20-25% growth over 2019," he said.

The company, which draws 60% of sales from the business-to-business segment, said demand from factories, infrastructure projects and data centres was driving growth, followed by offices and smaller businesses such as restaurants and fitness centres in tier-II and -III towns.

Gaurav Saxi, business head, air conditioners group, Panasonic India, said the company is expecting a 30% jump in AC sales over the summer of 2019. "This year, we are expecting robust sales from all regions, primarily due to the pent-up demand from last year. We are seeing a rise in demand for smart, inverter ACs that offer healthier indoor air quality. We are hoping to see a 30% growth this summer," Saxi said.

To be sure, the last two years



The past two years were dull for makers of ACs and most appliances amid store closures, supply hurdles.

were dull for makers of ACs and other large appliances on account of store closures and supply constraints. Construction activity was also suspended due to intermittent lockdowns.

Companies are now pinning hopes on what they said could be one of the strongest seasons for cooling appliances in

recent years. India's official weather department has predicted a heatwave in north-west central and western parts of India. Besides, a waning covid-19 wave and improved mobility could help shore up demand.

LG India said both its ACs and refrigerators reported strong demand in the first quarter of the current calendar year.

"With the rising temperature, we are seeing good traction for compressor products, air conditioners and refrigerators. In Q1 (January to March), we have seen good growth and expect it to continue in Q2. This robust growth is due to a strong product portfolio developed based on Indian insights," said Deepak Bansal, vice-president of home appliances and air conditioners, LG India.

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AC sales spike amid heatwave

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A spokesperson for Voltas India said the prediction of a heatwave has already translated into a strong pick-up in demand for cooling products across the country.

The company expects pent-up demand of the last two seasons and a strong summer to drive sales.

“Also, there is a big surge for a replacement since many consumers are upgrading their cooling products for more energy efficiency. These factors, we feel, will lead to an overall surge in demand for ACs, and we expect it to continue through the summer,” a company spokesperson said.

Fan makers also saw business decline by 40-50% in the first quarter of FY21 and FY22. Sales will cross pre-covid numbers this summer, driven by some form of delayed



Companies continue to deal with unprecedented inflation, leading to multiple price hikes.

spending on the category, said Atul Jain, executive vice-president, Orient Electric Ltd.

“Summer has started on a very strong note—we are seeing a strong increase in consumer demand. There were some headwinds in February and early March because of this geopolitical uncertainty and very high commodity prices, which had pushed up the product prices. However, we

are expecting good numbers from April onwards,” Jain said.

Yet, companies continue to deal with unprecedented inflation, leading to multiple price hikes. Rising prices may push consumers to buy lower-priced products, they said.

Blue Star's Thiagarajan said the industry took at least three rounds of price hikes since last year. “Our intention was not to hike prices in March, but again, we are revising the prices,” he added.

The industry has been subject to multiple double-digit price hikes during FY22, a spokesperson for Voltas said. The company has introduced various consumer offers and easy EMI options to tempt shoppers. Prices of fans moved up by 20% over the last 12-15 months. As a result, Orient Electric's Jain said consumers are moving towards the lower end of the market.