

EV equivalent for air-conditioning industry yet to be launched: Blue Star MD

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[NSE 0.02%](#)

Is the increase in number of Covid cases impacting your business at all or is it too soon to say that?

It is too soon to say that. Right from August onwards, the festival season was good, the demand held up till the New Year sale in quite a few markets. Building up to Sankranti, the sales are good. But having said that, the spike in Covid cases can have some impact on the retail movement and this will be over before March.

This is the peak winter season as far as air conditioners are concerned. We will look forward to a great March and summer that follows March.

We understand from our channel checks that many players were not really able to take total price hikes because there was weaker demand in January. Would you be taking more hikes from March onwards when things stabilise?

I do not think so. We had raised the prices in January 2021; then in March and again in September. Now that price hike itself is very difficult to get through to the consumers. Having said that, we designed our product portfolio and the supply chain is intact and the commodity prices are stabilising somewhat. Therefore we do not have any plan to increase the prices as of now. I think these prices will hold up till the summer season.

Do you have any supplier disruptions which are making things slightly hard in terms of the finished product?

From 2021 to 2022, the number one change we see is supply chain challenges and also the commodity price increase. I will deal with both the parts. The supply chain challenges continue but it has somewhat eased. It was not as bad as it was three months ago. For example, in semiconductors, we have blocked the quantities till 2023 which we were not doing earlier. and normally what you will order for three months, we are doing for six months now. Therefore, it is a question of planning in advance, chasing it and getting it. It has not fully eased but is somewhat better.

For the summer season, we are fully secured as far as the supply chain is concerned. I am only hoping that the commodity prices do not increase further. If it does, we will have to pass it down to the customers but as of now, we are comfortable with the price of what we are operating and what the consumer can take.

The real difference that has happened in the room air conditioner industry is that demand continues to be good for this particular category. The demand from tier-3, tier-4, tier-5 towns is excellent. The penetration in the middle class is fast improving. PLI has become an important enabler. A huge component ecosystem is getting created.

In order to earn the PLI, everyone has to improve their revenue which means the competition will be intense and prices will come down while scale will build up. It is a question of maintaining profitability by building scale. That is what I am foreseeing in 2022.

Do you see large industrial projects coming back because somewhere in 2020 and 2021, we have debated the importance of work from home but now almost all organisations and companies are saying that it was a lab experiment and we are telling employees to come back barring the last 10-15 days of disturbance. Do you see that acting as a trigger in 2022 mass industrial projects? IT is expanding, pharmaceutical is expanding, start-up is expanding and these offices and premises need air conditioning?

Office has come back in a big way. IT, ITES workforce are returning to offices and therefore air conditioning demand is coming. But the biggest demand is from the manufacturing sector. Huge expansions are taking place thanks to the PLI in various sectors the government has offered. Capacity expansion is leading to new factories coming up, this is the second part.

The third one is that there are many social infrastructure projects like the metro railways or water related projects. Our order book is at record high at this point of time. It is very encouraging as far as the B2B segment is concerned and the cash flow is also good in the sense that in any project, business money flow will be a very difficult thing. Now the cash flow is also good. This is a very encouraging sign as far as the B2B segment is concerned.

Everybody is talking about clean fuel, better efficiency, “the traditional thought” is AC is an energy guzzler. What is the update on that front? How are you ensuring better fuel efficiency? Are there any technology breakouts which we should expect to hear from you?

So the air condition industry is well regulated on two fronts – one is the energy efficiency; so there is a star labeling programme and from July 1, 2022, the next level of table is going to come. We will compare well with the world. If you are buying the highest energy efficient air conditioner in 2021, it will consume only 5% of what it consumed earlier. A 90-95% reduction in electricity consumption has been achieved through technology.

The next subject is the ozone depletion and global warming on the refrigerants ozone depletions subject has been handled. We have reached low global warming and it will become zero global warming in about 10 years time or so. Now if you are asking if like electric vehicles in the automobile industry, is there is a breakthrough technology to change the entire paradigm- people are working, we are applying our mind. I do not think we have technology as of now. The world has not come out with any technology which is highly energy efficient and at the same time it is ozone friendly and does not contribute to global warming. But we are ahead of the curve and we are confident that we will continue to innovate on that front.

Green is the buzzword now. Are you seeing businesses and even individual consumers become more conscious when they are buying ACs? The ones that consume less electricity are more expensive as well.

Once in two years, energy labels are getting changed and therefore people will have to buy higher energy efficiency products. But the demand for five star ACs is not going up significantly because the consumers are predominately first time, middle class buyers. They would like to spend more as initial cost and also the usage pattern is that they are using it for six hours a day. It is not 24 hours or so.

On the other hand, if it is a B2B product, the real hot selling products are highly energy efficient like VRB or the VFD driven. So, there are the green buildings, platinum rated, gold rated factories. Energy efficiency in air conditioning is achieved but a complete breakthrough product which will be equivalent of EV in automobiles is yet to be launched. But for energy efficiency, the industry has done well and the government has done well.

In a recent interview, you said that before any fear of a third wave and Omicron, you started seeing businesses being in a rush to close deals because of the uncertainty. There is still uncertainty in the big cities like Delhi, Mumbai. What is the sense you are getting now, is that rush still there?

It is still there but I think it will slow down. For example, in large deals, physical presence is required. Lots of discussions take place and that itself is going to be difficult in at least two cities as of now – Mumbai and Delhi. I think Chennai, Bangalore will follow. I am only praying that things come back to normal by February last week. That is my anticipation but as of now, things are good.

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