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● **DEPRECIATING RUPEE**

As imports get costlier, consumer durable firms may hike prices

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Mumbai, July 12

CONSUMER DURABLE COMPANIES manufacturing air conditioners, refrigerators and other similar products may have got some relief with the cooling of commodity prices, but some of them will still be going for product price hikes as the rupee depreciation has made imports costlier for them.

"I don't see any price drop in products. I see price increase happening in this quarter to the extent of 2-3%," Kamal Nandi, business head and executive vice-president of Godrej Appliances, told *FE* on Tuesday.

Nandi said that the net impact on commodity purchase is only to the tune of 3-4% because while there has been some softening of commodity prices, the rupee has also depreciated drastically in the last few weeks or so.

While the import content of components in ACs is as high as 60%, the same for refrigerators is around 25%.

Nandi further said that commodity prices have risen around 35% since December 2020 and the price hike taken by the industry so far to pass on that cost, has been around 17-18%, so there is still



PRICING FACTOR

■ **Kamal Nandi**, business head and executive vice-president of **Godrej Appliances**, said there could be price increases in the coming quarter

■ **Avneet Singh Marwah**, CEO of SPPL, the brand licensee for **Thomson**, pointed out that while commodity prices are coming down, dollar is going up

■ **B Thiagarajan**, managing director at **Blue Star**, said the air conditioner firm will review prices in the first week of August

some gap to be filled.

Echoing the view, Avneet Singh Marwah, chief executive officer of SPPL, exclusive brand licensee of Thomson in India, said now that commodity prices are coming down, dollar is going up, which is balancing the equation. If this continues, prices of products will again

go up by 4-5% in the near term.

However, another manufacturer **Blue Star** is still to decide on further course of action and will take a call in August whether or not to go for price increase.

"We will review our prices in August first week, keeping the long-term view of at least six months," **B Thiagarajan**, man-

aging director of **Blue Star**, told *FE*.

While there is a positive trend of commodity prices coming down, they are also getting neutralised by rupee depreciation, he said adding that in the long-term, it would only positively benefit customers.

Consumer durable industry has seen some slowdown in demand since May with inflation running high, product price hikes which have hit consumer sentiment.

Company executives say that while demand was good in April, it started tapering down from May second half and June saw de-growth over 2019.

"In fact April-June quarter saw flat to negative growth of 5-7% over 2019 levels due to subdued demand," Nandi said.

According to Axis My India, consumer data intelligence consultancy, discretionary items like air-conditioners, refrigerators have seen steep decline of 24% in June compared with May.

While demand for consumer durables is subdued currently, industry players believe that festive season should see improvement in sales as by then inflation is expected to be reined in and companies would come out with festive offers.