

# PLI scheme boosts AC industry; localisation doubles in two years

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The government's two-year-old production-linked incentive (PLI) for air conditioner (AC) components has boosted domestic production, with average value addition or localisation increasing from 25 per cent to 55 per cent now, according to the scheme's beneficiaries.

Last year, 10 million ACs were manufactured and sold in India and the number is expected to reach 14 million in 2024, according to industry estimates. Domestic production is expected to hit 30 million by 2030. Localisation has helped the penetration of ACs in the country: From 8 per cent in 2023 to an expected 12 per cent this year. Other consumer appliances have had higher penetration — refrigerators (40 per cent) and washing machines (33 per cent) — and that indicates significant growth potential for ACs, said industry representatives.

“The PLI scheme in just two years has more than doubled value addition in domestic air conditioners,” said Jasbir Singh, chairman of Amber Enterprises, the largest original design manufacturer in the AC manufacturing business and a PLI beneficiary. (Amber assembles ACs and produces components.)

“We believe that by the fifth year of the PLI, localisation levels will reach 75 per cent by FY28. With increased volumes, India's cost dis-

advantage compared to competitors will reduce, enabling us to export as well. Additionally, domestic penetration will increase,” he said.

The PLI scheme has helped build a domestic supply chain ecosystem that did not exist. “For example, the scheme has led to four companies setting up compressor plants in the country, three copper tube manufacturers have emerged, and an aluminium unit has been established to supply (to) air conditioner makers, which are key components in air conditioners.

There are 43 companies eligible under the scheme for air conditioner components.”

Indian AC manufacturers competing with other countries had a cost disadvantage that was once as high as

18 per cent but has now been reduced to around 12 per cent.

The PLI scheme was launched in April 2021 and allocated Rs 6,238 crore for white goods (ACs) and LED lights. Incentives range from 4 per cent to 6 per cent on incremental sales for five years. Companies must meet incremental investment and sales targets based on categories to be eligible for the reimbursement of incentives.

AC companies said they are growing in Tier-II and Tier-III cities where power availability has improved. Penetration in such cities is between 1.5 per cent and 2 per cent, signaling potential for market growth. Penetration in metro cities is around 35 per cent.

**Cost disadvantage for Indian manufacturers competing with other countries falls to 12% from 18% earlier**