

AC makers to hike prices, production this summer

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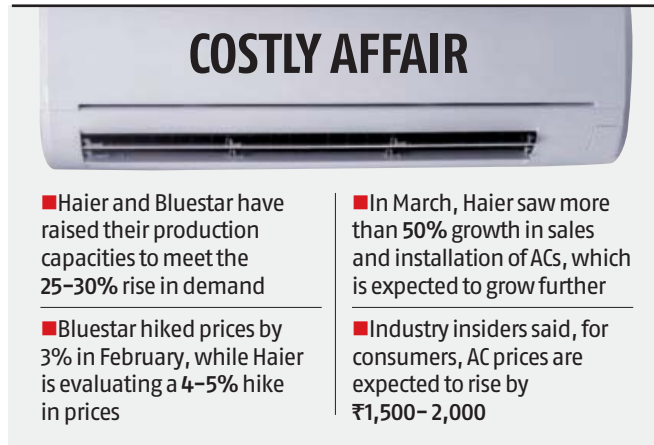
As temperatures shoot up this month signalling an early onset of summer, sales of air conditioners (AC) are set to increase, with companies expected to hike the prices of ACs by 4-5 per cent due to component shortages.

Leading players like Haier and Bluestar and suppliers like EPack Durables have raised their production capacities to meet the 25-30 per cent rise in demand expected in the coming months.

For consumers, prices are expected to rise by ₹1,500-₹2,000 due to shortage of compressors, copper tubes and quality control guidelines, industry insiders said, as companies were likely to pass on the increase in cost of production to the end users.

Bluestar has hiked prices by 3 per cent in February this year, while Haier is evaluating a 4-5 per cent hike in prices if the current conditions, including a highly volatile dollar, continue.

“Last year we saw unprecedented growth of 57 per cent. This year we anticipate a 25 per cent growth in sales of AC units on a high base. The industry sold almost 15 million units last year, of which we sold 1.5 million. This year, we anticipate a sale of 1.75 million units,” B Thiagarajan, managing director (MD), Bluestar, told *Business Standard*.



He added that the company was increasing its advertisement expenditure to ₹60 crore this year, while it has also raised its spends on innovation, research and development to ₹51 crore from ₹40 crore last year, which includes integrating AI into its products. “This is to ensure better customer experience. Consumers now want artificial intelligence (AI)-enabled devices that understand their cooling behaviour. We are also researching how ACs can continue cooling in extreme heat conditions and save energy while doing so,” he said.

Haier, the third-biggest home appliances maker in the country, with a close to 10 per cent share in the AC market, is ramping up capacities to address increased

demand in the coming period. The company has expanded its AC manufacturing capabilities and inaugurated a new injection molding facility at its Greater Noida plant. In 2025, the company will invest ₹110 crore for a new PCBA factory, and further plans to commence a ₹700 crore air conditioner factory, to be operational in December 2026. That will allow them to manufacture an additional 2.5 million units from the current 1.5 million – taking the total capability to 4 million units.

“The AC market in India is underpenetrated with only an 11 per cent penetration. The segment will keep growing, driven by uncertain weather conditions, higher disposable

incomes, especially after the last Budget, and technological innovation,” N S Satish, president, Haier Appliances, said. In March, Haier has seen a more than 50 per cent growth in secondary sales and installation of air conditioners.

“We expect the market to grow by at least 15 per cent this year. The Indian market has a clear advantage and we will leverage our in-house manufacturing and early investments to leverage that opportunity,” he added.

EPack Durables, which manufactures ACs for Voltas and Bluestar among others, stated that an ongoing compressor shortage, rising commodity prices, including copper, and delayed renewal of BIS certification on account of recently introduced mandatory quality norms for various products under the Quality Control Order (QCO) for Chinese exporters has led to some delay.

“This is expected to drive up prices by ₹1,000-₹1,200 per AC unit for the end consumer. We expect to see a growth of 20-25 per cent this year, driven by extreme weather conditions, and continual demand that we saw in December too – a typical slow time for AC sales,” Ajay Singhania, MD and CEO, Epack Durables told *Business Standard*.

“Last season was a bumper year with a growth of 35-40 per cent. This season, we are expecting single-digit growth on a high base for ACs. For refrigerators and room coolers, too, we are anticipating a 10 per cent growth in sales,” said Nilesh Gupta, MD, Vijay Sales.