

Headline: AC market feels the heat of delayed summer in North

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AC market feels the heat of delayed summer in North

Incremental or secondary sales which peak during summer are down 25-30 per cent, compared with the same period last year and companies may find it difficult to match last year's volumes. "Sales have not picked up as expected. The overall AC industry is witnessing a drop of 30 per cent in terms of sales prospects. In 2006, due to similar weather conditions we saw sluggish sales in the first part of summer, but it picked up subsequently. Though there has been a delay in summer, we hope AC sales increase gradually," Mr Manish Sharma, Director-Marketing, Panasonic India, said.

Almost all major manufacturers including Samsung, LG, Haier and Onida talk about a similar trend. According to the industry players, the north accounts for the largest chunk of AC sales with as much as 40 per cent coming from the region. While the west follows with 30 per cent and 14 per cent from the south, the east accounts for a mere six per cent.

"Yes, there has been delay in onset of summer season in North India, but we can see good demand across India in the coming months. We are targeting a turnover of Rs 3,500 crore for air-conditioners," Mr Y.V. Verma, COO, LG Electronics India Ltd, notes.

The overall room AC market in India is estimated at 3.2 million units last year and is valued at Rs 5,500-6,000 crore. It is growing at over 30 per cent annually. Split ACs, at present, dominate the AC industry with more than 65 per cent of all units sold last year. Dealers also point out that consumers are likely to be put off by the prices. Prices of air-conditioners have moved up anywhere between 7 and 10 per cent owing to high commodity prices and freight costs since October last year. Therefore, the additional burden on the consumer is anywhere from Rs 1,500-4,500 compared with last season.

"Input costs have increased by over 15 per cent in the last three months. Not all of that has been passed on to the consumers. This is creating a significant pressure on the profitability of the industry. Consumer prices have increased by nearly 10 per cent

as compared to last year,” Mr Vipul Mathur, GM and Business Group Head, Onida Air conditioners, Mirc Electronics, said.

Stating that air conditioner market was growing at around 30 per cent during January-March, he said, the secondary sales in April have been below expectations due to the weather disturbances in most parts of the country. “Against a growth plan of 35- 40 per cent most brands are facing difficulty in matching their last year volumes,” he added.

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