

AC makers commit to export target of 50%

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New Delhi, 24 February

The Refrigeration and Air-conditioning Manufacturers Association of India (RAMA) has committed to the government an export target of 50 per cent of its sales of over ₹1 trillion in the next five years (from Rs 16,000 crore currently) from air conditioners (ACs).

It has also said that the segment may increase domestic value addition in room ACs to 75 per cent, from the current 25 per cent.

The industry's commitment to the NITI Aayog and the Department for Promotion of Industry and Internal Trade comes in the wake of the government's announcement last November of a production-linked incentive (PLI) scheme

for this sector, with an outlay of ₹6,238 crore for white goods — which comprise ACs and light-emitting diodes (LEDs). The final modalities of the scheme are being finalised by the government after its meetings with stakeholders.

As part of the announcement, the Centre has earmarked over ₹1.46 trillion for 10 sectors under the scheme. The government has noted that its aim for the AC industry is two pronged: To have very high potential of domestic value addition and making these products globally competitive. It says the PLI scheme for this segment will lead to more domestic manufacturing and increase exports.

Speaking on the discussions they have had with the government, Kanwaljeet Jawa, president of RAMA,

THE INDUSTRY CAN REACH AN EXPORT TARGET OF 50 PER CENT OF SALES. CURRENTLY, OUR COST DISABILITY WITH CHINA, VIETNAM, AND THAILAND IS 15-20 PER CENT, SAYS KANWALJEET JAWA, PRESIDENT OF RAMA, AND MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER OF DAIKIN

and managing director and chief executive officer of Daikin, says, "The industry can reach an export target of 50 per cent of sales. Currently, our cost disability with China, Vietnam, and Thailand is 15-20 per cent. The PLI scheme, along with the increase in volumes, will help us become competitive in the global

market."

Jawa says the move will increase domestic value addition to 75 per cent. For instance, manufacturing of compressors (which accounts for 20 per cent of total cost of an AC) in India, rather than importing from China, will substantially increase value addition. The other components include motors, printed circuit boards, aluminum, and copper.

Currently, India has a mere 0.5 per cent of the global export market of room ACs in terms of volume. However, this could go up to 10 per cent by 2025 if the PLI scheme takes off. While 75 per cent of the world's room AC manufacturing happens in China, 75 per cent of the global demand is also met by China and Thailand. And 85 per

cent of the Chinese ACs are manufactured by just five companies.

India, on the other hand, imports 30 per cent of the total value of sales of finished ACs from China. A striking contrast can also be seen by the fact while China produced over 100-million room ACs in 2019, India made a mere 7 million in the same year. The penetration of room ACs in the country is just 5 per cent in India, compared to 87 per cent in China and 60 per cent in the world, revealed a 2019 report by Nirmal Bang.

The industry had, however, got much less than what it had asked the nodal ministry as outlay under the PLI scheme of ₹20,000 crore. Now it has to share a smaller outlay with LED manufacturers as well.