News from India

*Reported by **Rakesh Kumar**, managing editor, ISHRAE Journal*

India Bans AC Imports

The government of India, on October 15, banned the import of refrigerant-filled air conditioners in order to boost domestic production. The Directorate General of Foreign Trade (DGFT) issued a notification to move split and other types of air conditioners with refrigerants from the 'free' list into the 'prohibited' category.

The government has identified air conditioners as potential items for focus on domestic manufacturing, as air conditioner components are imported in large quantities. The domestic air conditioner market scale is worth US$ 5 billion to 6 billion, with a large percentage of air conditioners being imported. In addition, over 85% of air conditioner components, with a market scale of around US$ 2 billion, are imported.

The industry ministry is also mooting a duty hike and reworking of the free trade agreement with Thailand.

Blue Star to Float Separate Company for Sri City Plant

Air conditioning and commercial refrigeration manufacturer Blue Star announced on October 8 the setting up of a separate company to run its upcoming manufacturing facility at Sri City, Andhra Pradesh, South India, so as to avail the tax benefits applicable to manufacturing investments. The company plans to commission the Sri City plant by the end of March 2021, and to roll out the products by March 2022.

Speaking at a virtual press meet after announcing the launch of new products and solutions with virus deactivation technology, B. Thiagarajan, managing director of Blue Star, said that the Sri City project is meant for catering to the South Indian markets, and will help the company in substantially reducing its inventory, and logistics and transportation expenses. Raw materials will be imported through the nearby Krishnapatnam port, reducing the incoming material cost.

Blue Star has planned to invest 1.2 billion Indian rupee (INR) (US$ 16.4 million) to build the Sri City plant in the first phase to cater to the RAC market in the South. The plant will have at least two phases of development and the second phase also will see similar investment. The unit will have a capacity to produce half a million units and will cater to the five Southern states, drastically cutting logistics cost when compared to goods being transported from its Himachal plant in North India.

Mr. Thiagarajan said the plan to capture a 15% market share in RACs by 2024 holds good, even though the last summer sales were almost washed out. "We do have challenges in terms of margins due to the prevailing situation. We are finding the market for low-end products growing faster than high-end products. We think the products that we launched for the summer season will address this issue. We always had a much higher market share in high-end products. We are clear in our mind to achieve the targets and despite a very tough time, we have maintained our market share even now," he said.

Mr. Thiagarajan said the company has achieved 80 to 90% of pre-COVID production levels currently. By the fourth quarter of 2020, he hopes to touch 100% of pre-COVID levels or even achieve 5 to 10% growth over these levels. He said that the new range of products and solutions with virus deactivation technology has the capability to deactivate viruses including COVID-19 with up to 99.9% efficiency when air passes through these systems. Recently, the company had won an order valued at INR 1.49 billion (US$ 20.4 million) for five underground stations of Mumbai Metro Line 3 for the purpose of carrying out electrical and mechanical work.

B. Thiagarajan, MD, Blue Star

Global Cooling Prize Prototypes Being Tested in India

The prototypes of Global Cooling Prize finalists have been installed for performance testing at a field test site in Bahadurgarh, North India.

The Global Cooling Prize is an innovation competition to catalyze the development of a disruptive energy-efficient cooling technology. Eight finalists were selected late last year, based upon their potential to have at least five times less climate impact than standard entry-level room air conditioners (RACs) in the market today. The competition has moved from the design stage into the testing stage, with the finalists competing for more than US$ 1 million in prize money.

Despite the COVID-19-related challenges, the prototypes are now installed and field testing has commenced. The team has also released a prototype performance dashboard that tracks every prototype anonymously. The dashboard displays an hourly snapshot of performance every day, and shows the competing results of the finalists' prototypes as well as the two baseline units being tested. The dashboard also showcases the gigatons of CO_2e emissions that could be avoided annually if the best performing unit of that day were to be scaled up globally.

Daikin Sees Cool Opportunity for India as AC Manufacturing Hub

Daikin has expanded rapidly over the past decade in India, overtaking the more established competitors, with the help of local production, robust distribution, local research and development (R&D), and the Air Conditioning Technology Development Centre (ACDC) for skill development. By the end of 2020, it plans to expand its sales and distribution networks to more than 10,000 locations across the sub-continent.

In India, air conditioner penetration is still hovering at 6 to 7%, as compared to 95% in developed countries. So, there is huge potential for growth. Moreover, many Japanese companies are waiting to move their manufacturing bases to India, subject to economic and administrative incentives offered by the Indian government.

Kanwal Jeet Jawa, chief executive officer (CEO) and managing director of Daikin India, and member of the board of Daikin in Japan, and newly-elected president of the Refrigeration and Air-conditioning Manufacturers' Association (RAMA), said, "My charter is to take advantage of India's manufacturing potential, which is ready for explosive growth, and create a level playing policy and operational framework for the heating, ventilation, and air conditioning (HVAC) industry."

"India has created a track record for being a sustainable manufacturing destination. Daikin has been manufacturing in India since 2009, and today we are exporting India-made products to South America, East Africa, Sri Lanka, Bangladesh, and Nepal. Considering that China produces more than 100 million air conditioners per year, the Indian market with a capacity for 6.5 million units has a great potential if a comprehensive plan can be implemented to support local manufacturing," he said. "Today, the air conditioner industry is at the cusp of transformation, which can immediately make India the most preferred manufacturing destination, second only to China, and stamp our dominance for a long time," he added. "Products made in India are reliable and cost competitive, and can be made available in developing countries with similar weather patterns. We expect India to play a major role as a manufacturing destination and fill the gap that China will create," he said.

Kanwal Jeet Jawa,
CEO & MD, Daikin India

Havells Enters Refrigerator Segment

Lloyd, a brand of Havells India, is entering into refrigerator and dishwasher segments, which would complete its portfolio as a white goods manufacturer. The company is entering these segments before the beginning of the festive season, which is the biggest shopping period for home appliances in the country.

Announcing this, Lloyd CEO Shashi Arora said the company will have a complete range of products, from entry-level direct cool refrigerator models to frost-free and side-by-side units priced from INR 10,000 to 85,000 (about US$ 130 to 1,100). For dishwashers, the company's range will start from INR 22,000 (about US$ 300). "Since we were already present in the air conditioner, LED TV, and washing machine segments, an entry into refrigerators and dishwashers will make the brand a complete consumer durables company," said Mr. Arora.

The refrigerator market in India is worth around INR 250 billion (US$ 3.4 billion) with a 30% penetration level. Direct cool refrigerators comprise 70% of the market by volume, with the other 30% being frost free. Direct cool refrigerators contribute 60% by value, and the balance is contributed by frost free.

The products have been designed in-house, and Llyod will be sourcing the entire refrigerator range in India through a third-party manufacturer.

Correction

Regarding the September 2020 regular issue of JARN, there was an erroneous description in the 'Review of the Global AC Market in the First Half of 2020 – Part II'. In the 'India' chapter, we wrote 'Indian Statistical Institute (ISI)' on the third line of 'Standards' section on page 12. It should have read 'Indian Standards Institution (ISI)'. We sincerely apologize for any inconvenience this error has caused.