Air Conditioner Sector Report: Case Study Of India

Sectoral overview:

India’s air conditioner market is very compact but is competitive and fragmented with its presence of domestic companies along with international players too. Sector has unorganized market participants which plays important role. The market is broadly divided in two segments that is split and window room air condition. But split room air conditioner segment dominates the market and would continue to generate key India room air conditioner industry.

Factors affecting the sector:

In recent time, the demand for room air conditioner is primarily growing in the residential market with increasing PPP and growing economy.

The sector which has contributed most are retail, hospitality. Rising construction activities across geography as increasing establishment of small medium enterprises. Commercial hubs including big business parks, malls have fueled the market for room air conditioners. Additionally, growth in construction projects across all major cities including tier-1 and tier-2 cities further significant growth for the sector. Though the prices of room air conditioners are increasing in India in years and in order to meet this companies have offered different kind of schemes which includes simple EMI along with seasonal discounts in festive season which are highly attracting middle class population of the country. Inflated electricity prices made a negative impact on the overall performance in the air condition sector. Growing commercial and large government spending also boosted the sector, also we must keep in mind that rising disposable incomes and better availability of electricity likely to keep demand intact and sustainable.

1 to 2-ton capacity, room air conditioners have largest market revenue share in the overall air conditioner market share. The typical average room size of an Indian household helps to be suited for consumers to buy them. Geographically, northern region along with western region have major share as it is warmer compare to southern and eastern India on account of improving residential sector.

Major companies for the sector:

- Blue Star Limited
- Carrier Midea India Private Limited
- Daikin Airconditioning India Pvt. Ltd.
- Havells Lloyd Limited
- Johnson Controls-Hitachi Air Conditioning India Limited
- LG Electronics India Pvt. Ltd.
- Mitsubishi Electric India Private Limited
- Panasonic India Pvt. Ltd.
- Samsung India Electronics Ltd

- Voltas Limited

Challenges for sector:

Product mix for companies and distribution chain to tier-1 and tier-2 cities will play a key role in determining penetration and which players will make the most of the prospect for the competitive sector. The market is undergoing a rapid switch towards clean fuels with the concept of energy efficiency, as consumers shifting to inverter split ACs from regular or fixed-speed split ACs.

Voltas is currently the unquestioned leader in the room AC market, its ability to provide to switching consumer preferences will decide if it can hold its market share of around 21%.

Meanwhile, Symphony continues to rule the home cooler market with approximately 50% market share in the organized class. While the cooler segment is henpecked by the unorganized market, analysts say Symphony will benefit from the likely shift in demand to the branded coolers.

Opportunities in sector :

Major demand for air conditioners is from Asia-Pacific due to rapid infrastructure development and rising inclination of people toward lifestyle products across the region.

In the Asia-Pacific region, compared to other types of air conditioners, such as PAC (packaged air conditioners) and room air conditioners (RAC) dominate the market. China is the largest market for air conditioner systems in the world. In China, room air conditioners dominate the market. Japan and India are other important air conditioning markets for global air conditioning manufacturers.

- Analysts forecast HVAC equipment market in China to grow at a CAGR of 8.51% through 2019.
- The global HVAC industry is expected to have a 4.34% CAGR through 2022. This is expected to generate total revenues of nearly dollar 70 billion in total.
- Asia-Pacific continues to be the leading revenue generator in the global HVAC market thanks to the increase in demand for split-air conditioners.
- International demands for HVAC equipment are expected to increase by 6% annually through 2020.