

Mr. Toshio Nakano, Chairman Daikin Industries (Thailand) said, "We at Daikin strongly believe in constant innovation and this R&D centre will help us to put channelized effort in conceptualization of products that are technologically advanced and sustainable. India is a critical market for us and the rationale behind setting up this R&D centre is to invest in technologies that suit Indian conditions and build products in line with the requirement of Indian consumers."

Underlining its thought leadership vision—the Indian & Japan government entrusted Daikin with the duties of developing JIMS (Japan Institute of Manufacturing Excellence), with a view to create 1 mn employable workforce by 2020.

**The Growing Market**

In its pursuance of the biggest player in the dynamic Indian HVAC market, Daikin India has also successfully forayed in offering premium air conditioning solutions to the Indian market for large-scale projects, wherein it further intends to extend its market share across residential, light commercial and commercial projects as well. Daikin in India offers host of residential ac units, packaged air conditioners, sky air products, VRV & Chillers ranging from .75 tr to 2700 tr.

**8 year Performance Report Card**

FY	TO in CR	% growth
FY 09 - 10	440	
FY 10 - 11	850	93%
FY 11 - 12	1200	41%
FY 12 - 13	1800	50%
FY 13 - 14	2200	22%
FY 14 - 15	2500	14%
FY 15 - 16	2750	10%
FY 16 - 17	3250	18%
<b>FY 17 - 18</b>	<b>4000</b>	<b>23%</b>

Commenting on the rising market share in India, and plans on expansion, Mr. Mineno, Head of Global Operation Division, Daikin Industries, Japan said, "Daikin plans to double its air conditioner production capacity in India and may build a whole new factory there to cement its foothold in a growing market. Considered one of the industry's best HVAC company, Daikin - the Osaka-based company ranks first worldwide in air conditioner sales in value terms. Growth in Europe and China propelled it to these heights. But with demand slowing in China and other markets, Daikin will concentrate investment on Southeast Asia and India, as well as the U.S., for the time being. The extra capacity will allow Daikin to broaden its lineup of air conditioners designed for India, with their ability to operate dependably in ambient temperatures of 45 C and higher. Until now, the company has shipped some models for sale in India from its factories in Thailand. With a bigger Indian factory, it can shorten delivery times and better respond to a weaker rupee."



L. Pattnaik, Sr. VP

Rajesh Jain, Sr. VP

**The Growth Drivers**

■ **Growth of Indian Real Estate:** The growth of the Indian real estate sector is one of the key demand drivers of the emergence of the HVAC market. With the growth of demand in the newly- formulated commercial, residential and retail spaces across the country, the demand of pertinent HVAC solutions have also risen.

■ **Key Technological innovations:** Upgrade in ecologically sustainable technologies and constant innovations in the HVAC market is also a key demand driver for the bloom in the sector. With newer technologies making a beeline for consumer attention (Inverter, HFC 32 Refrigerant, Variable Refrigerant Temperature), the growth seen over the past couple of years has been phenomenal and has resulted in the acceptance of cutting edge innovations by the potential consumers, thus leading to the growth of the industry.

■ **Key Governmental Policies:** With better policy measures coming into the sector, the streamlining of the workings of the industry has also led to a major revamp in strategies which has played a vital role in creating pertinent demand in the industry. Government policies on refrigerant use, stricter eco-friendly norms and safety pre-requisites, efficient use of products, services and technical usage have made the players in the market retag their strategies which have thus played a greater role in creating a pertinent demand in the industry.

**Investments**

More than Rs 2,000 crores has been invested to develop factories at Neemrana in Rajasthan, promote extensive Research & Development and channelize distribution through 6,000 channel partners and 400 exclusive Daikin stores. ■



**'Consumers are increasingly considering the lifecycle cost of a product than just the initial capital cost'**



**How has the AC market in India grown over the past 4-5 years? Also, where is Daikin placed?**

The industry has grown at 15% CAGR over FY16-20E. We estimate the Indian room air conditioner market would grow from 4mn units in FY16 to 7mn in FY20, a 15% CAGR. The growth would be driven by rising penetration of ACs (3-4% currently vs. 30% global average), higher disposable income, growing urbanization and year-round usage of ACs. For FY17, we build in 15% industry growth and this comes after a subdued CY16/FY17, where unseasonal rainfall adversely impacted sales of air conditioners (ACs); we expect industry volumes to increase 10% YoY in CY17/FY18. Our recent channel checks indicate a very strong pick-up in volumes over the past 2-3 weeks post the sharp rise in temperatures across the country. If the recent trend in summer seasons sales continues, our FY17 industry growth at 15% YoY has an upside risk to it and industry growth could be upwards of 20%.

Our research indicates that our brand name, distribution reach (>50-55% of AC sales now in Tier 2 to Tier 4 cities), after-sales support and dealer support/margins are key success factors in the AC industry.

The split AC market is expected to move toward split inverter ACs over the next few years; inverters are projected to reach 30% of the market

by FY18 and 50% by 2020.

Daikin India is poised to take advantage of all these & our R&D centre will further boost our dominance in the Indian HVAC industry.

**Tell us a little about Daikin's presence in the commercial market...**

The commercial HVAC is primarily driven by the central HVAC system that finds contribution from VRVs & chillers. We estimate it to be around INR 6000 Crores, in value terms. The VRV technology/system was

**Q&A**  
**Mr Kanwal Jeet Jawa**  
CEO & MD

**Daikin Airconditioning India Pvt. Ltd**

developed and designed by Daikin, Japan who named and protected the term variable refrigerant volume (VRV) system so other manufacturers use the term variable refrigerant flow (VRF). The Daikin VRV system is a multi-split type air-conditioner for commercial buildings that uses variable refrigerant flow control developed by Daikin to provide customers with the ability to maintain individual zone control in each room and floor of a building.

In the segment, the company has a large market share in Asia (~60% share), China (44% share) and India (~60% share). In VRV, we dominate the Indian market with 60% market share.

**What is the latest from the Daikin stable?**

We have recently launched the latest version of VRV called VRV X. VRV X now features VRT technology in IDU

& ODU. VRT automatically adjusts refrigerant temperature to individual building load and climate requirement, thus further improving annual energy efficiency and maintaining comfort. With this technology, running costs are reduced.

**X'TRA Power savings** achieved through Next Generation compressor & VRT Smart Control

**X'TENSIVE Range :** Outdoor unit available from 6 HP onwards to 60 HP  
**X'CELLENT Technology:** Improved Reliability by introducing Daikin 3-Phase Capacitor-less 4D Inverter technology

**X'TENDED Reliability:** Auto Refrigerant charge functions contribute to optimized operation efficiency, higher quality and easier installation.

**What are some of the most prestigious commercial projects that Daikin has undertaken?**

Over the years Daikin has been associated with the development of various prestigious projects such as airports, hotels, IT parks, institutions, government projects and metro stations.

**Where does Daikin India as a brand go from here?**

Daikin is committed to India and in addition to expanding the Neemrana manufacturing facility, it is looking at South of India, for its factory, targeted for Exports. We are targeting to sell more than 10 -12 lakh units by 2019, which will make us the undisputed leaders in the Indian HVAC market place. The growth areas will continue to be the tier 2 & 3 cities. India's AC sales which stood at 4mn units in FY16 are expected to rise to 7mn units by FY20, a 15% CAGR. ■