

Daikin takes pole position in AC sales, garners 15% share of home segment

Japanese major to add huge capacity with new plant

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Air-conditioning products major Daikin has taken pole position in the country's AC equipment sales during 2016 with a turnover of ₹2,750 crore, displacing a number of established players.

The Japanese major is all set to enhance the company's manufacturing capability in India, with the commissioning of the ₹600-crore facility at Neemrana in Rajasthan later during the year. It will enhance the capacity from 500,000 to 1.2 million units per annum.

Kanwal Jeet Jawa, Managing Director, Daikin Air-conditioning India, said: "We are bullish on the Indian market and have invested heavily into manufacturing, retail and skilling people, to tap the huge potential in the Indian market whose AC penetration is about 3 per cent. We believe it is at an inflection point and once the num-



Kanwal Jeet Jawa, MD,
Daikin Air-conditioning India

bers go past the 5 per cent market, the market will boom."

In an exclusive interaction with *BusinessLine*, Jawa, who was in Hyderabad to launch three new stores and a Smart Studio, he said Daikin has seen a robust growth of over 40 per cent in the nine months ended December 31, 2016, and has become the number one in terms of sales with a turnover of ₹2,750 crore, up from ₹2,200 crore last fiscal. "We expect to grow by about 20 per cent to over ₹3,500 crore next fiscal," he said.

"Our focus has been on offering

differentiated products to cater to not just classes but bring in a number of new clients from the masses on board. The latter offer a huge untapped market going forward. The new manufacturing capacity is aimed at catering to future requirements," he said.

Daikin has invested heavily in Indian operations beginning with ₹1,100 crore in 2008-09 for a 5,00,000 per annum facility and followed this up with ₹600 crore investment for a new manufacturing plant with a capacity of 1.2 million units per annum and another ₹100 crore for research and development centre.

The new plant to be ready by September is expected to help broaden the range of offering and tap the latent market. With GST regime set to come in, it will be a big positive for a player like Daikin, as it would remove diverse tax regimes in different States.

On the impact of demonetisation, Jawa said: "There has been some temporary setback to retail sales. The business to business sales have remained firm. As busi-

ness gets back to normalcy, we do not expect any major impact on sales of ACs in the country."

The country's room AC industry is small at about 3.5 million units per annum compared to China at 100 million units per annum. The industry is growing at a compounded annual growth rate of 10-12 per cent over the last four-five years and it is expected that this would grow by about 15-18 per cent CAGR over the next five years, opening up a bigger market.

Jawa said that the 2016 ended on a positive note with the company achieving a market share of over 15 per cent in room AC sales, 60 per cent in VRVs, a multi-split AC (which is more than what five competitors sell together) and chiller/water cooler share is 30 per cent.

Referring to its association with some of the large commercial buildings, Jawa said about 20 airports have Daikin products installed in them and most of the leading real estate companies developing large commercial spaces were its customers.