

# Govt reforms could benefit consumer durables firms in '16

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The new year could bring good tidings for companies making consumer durables if the goods and services tax (GST) and recommendations of the seventh pay commission are implemented. GST has long been regarded as a key reform that will alter the course of doing business in India, while implementation of pay commission will put more money in the hands of government employees, giving a fillip to consumption.

"The focus should be on demand generation. Cost of goods is not commensurate with income levels. GST could change that. In addition, supply chain and distribution mechanisms will have to evolve to improve operational inefficiencies. This, in turn, will impact pricing," said Manish Sharma, managing director of Panasonic India & South Asia, also the Consumer Electronics and Appliances Manufacturers Association.

Year 2015 saw home and electronic goods grow eight per cent, driven mainly by replacement buying in categories such as TVs and refrigerators. Companies attribute this to higher penetration levels of the two categories - 60 per cent for TVs and 21 per cent for refrigerators. Washing machines and air-conditioners, had single-digit penetration, making a case less for replacement and more for sales.

Companies say the reason for real demand being on the lower side is linked to the discretionary slowdown which has gripped the market. Urban consumers remain cautious, while rural ones have been hit on account of a poor monsoon, its impact on crop harvests, lower minimum support price and lower spending on rural welfare schemes.

"While, we grew at 12-15 per cent in 2015, depending on the category, the rate was definitely not the same at the industry level," said Shantanu Dasgupta, vice-president, corporate affairs and strategy - south Asia, Whirlpool.

According to C M Singh, chief operating officer at Videocon Industries, the first half will be critical from a business point of view.

"The summer season constitutes 20-25 per cent of sales for consumer durable and electronic companies. In that sense, it is an important indicator of how the year will pan out. Apart from summer products such as air conditioners and refrigerators, people these days are also buying electronic products. I don't think companies take this period lightly." Singh noted that year-round sales by e-commerce players brought opportunities and challenges for firms. "It is a new distribution platform, but being able to manage offline and online distributors is the main task of players."