

With 'fairly profitable' 2016, durable cos expect growth to return in 2017

With a 'fairly profitable' year of 2016, the consumer durable industry is looking forward to maintaining the momentum by cashing in on GST, likely to be rolled out in 2017, and overcome the short-term issues thrown up by demonetisation.

The makers have plans to introduce new technologies along with premiumisation of their existing offerings, increase in localised production and retail visibility focusing on enriching consumer experience next year.

Terming the setback from demonetisation as "a short-term phenomenon", the consumer durable makers are eyeing a bigger benefit from GST as it is likely to reduce tax burden, logistical and transactional costs.

"Samsung plans to outpace market growth by making continuous investments in making products that address the distinct needs of Indian consumers. Second, we wish to increase retail visibility and focusing on enriching consumer experience," Samsung India Vice President, CE Business Rajeev Bhutani said. LeEco India COO Smart Electronics Business Atul Jain said: "In 2017, we will focus on growth and consolidation of the gains we have made in 2016. We aim to realise this through the launch of our next generation Superphones and SuperTVs. As part of LeEco's online to offline strategy, we will be launching our own branded stores."

According to the Consumer Electronics and Appliances Manufacturers Association, in 2016-17 (which still has 3 months to go), the industry is expecting sales "of airconditioners, refrigerators, televisions and washing machines to touch 4.10 million units, 11.13 million units, 16.5 million units and 5.27 million units, respectively."

The industry, which had almost flat growth from last two years, has a very good festive sales this year coupled with factors such as good monsoon and implementation of the Seventh Pay Commission. "Progressive government policies had a positive impact on the overall economy augmenting the overall spending. This has resulted in an approximate CAGR of 10-12 per cent," said CEAMA President Manish Sharma.

The industry, which had almost 25-30 per cent average growth in the first seven months of 2016-17, took a hit in November by the demonetisation move. However, after having a degrowth in November and flat sales in December, it is expecting to bounce back next year.

"In the first seven months we have a good run with a 26 to 30 per cent growth, however, last two months, we have a degrowth of up to 35 per cent. October-December quarter would be flat quarter because whatever growth we had in October, will be nullified by degrowth in November and flat growth of December," said Godrej Appliances Business Head & EVP Kamal Nandi.

According to him, its effect will be felt in January also and business would normalise only from March when the sale of cooling products like airconditioner would start.

"In Q4 of this fiscal, we are expecting 15 per cent odd growth because the effect of demonetisation," Nandi said.

South Korean durable maker LG said: "Demonetisation is a short term phenomenon, with an admirable objective; GST is biggest indirect tax reform & fast implementation will certainly help in improving efficiency."

Haier India President Eric Braganza said: "Demonetisation has hit the sales in the current quarter and will impact the the upcoming quarter as well. However, with time the market will pick up and we should start seeing positive results".

In 2016, companies registered over 25 per cent growth in sales during the festive season, when the makers reported up to 30-35 per cent sales during 45 days window in the month of October and November.

"Year 2016, has been fairly profitable for the consumer durable industry. Continued inflow of disposable income, implementation of the 7th pay commission and a good monsoon season acted as key catalysts. This further led to a favourable festive season which for the last four fiscal years had been sluggish," said Manish Sharma, who is also Executive Officer, Panasonic Corporation and President & CEO Panasonic India & South Asia.

During the year, companies registered growth across all markets – metro and tier II, III & IV. "We have experienced consistent growth across all tiers of the country," said Sony India Head of Sales Satish Padmanabhan.

According to Whirlpool of India MD Sunil D'Souza in 2016, the company launched products "across our core categories as also new focus categories for the future and we saw a good consumer response. We saw an improvement in basic macro economic indicators for the overall economy and for appliance sales through the year which bode well for future demand."

Durable makers have expanded domestic manufacturing in 2016 after getting encouraging policy support from the government and they have plans to invest more in 2017.

The companies are expecting that implementation of GST would lead to demand growth as it likely to reduce taxes imposed on the goods.

"Once GST regime gets implemented, the consumer durable industry expects to see a reduction in tax burden, logistical and transactional costs, which in turn will be beneficial for consumers," said Videocon Director Anirudh Dhoot.

Besides, in 2017 the airconditioner makers will also have to gear up for the new star rating methodology called Indian Seasonal Energy Efficiency Ratio (ISEER) from January, 2018 as mandated by the Bureau of Energy Efficiency, which would take the cost up to around 20 per cent.

The new norm will result in up to 15 to 20 per cent jump in the price and manufacturers like Godrej Appliances are expecting some help in form of counter subsidy from the power distribution firms.

"There is a table jump happening of two star in the energy efficiency level 2018, which would impact sale. This would increase burden on the consumer. As done by some discoms as Tata Power by offering discount on energy-efficient airconditioners, the government should also come forward with such offers," said Nandi.

Companies such as LeEco and Samsung would focus to enhance their retail network to extend their reach.

In 2017, the companies like Panasonic, Godrej Appliance and Haier would continue to invest in their manufacturing operations.

"Next year, we are planning to increase our capacities. Now, the washing machine and compressor capacity has been augmented and next year we are planning to enhance our refrigerator category," said Nandi.

Over investments Padmanabhan said: "India is an important market for Sony and we will continue to invest in the coming year as well."

Haier, which has announced to invest Rs 500 crore at its Pune plant said: "In 2017, we intend to hold the inauguration ceremony of the facility and commence the manufacturing process soon".

According to Dhoot: "We will upgrade and strengthen our manufacturing facilities, which will further enable us to produce technologically advanced products for customers".

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