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Orient Electric hopes for pent up demand for air coolers this season

Salil Kappoor, business head of home appliances at Orient Electric said in an interaction with ETRetail, "The consumer behavior has evolved in last two years, people have realized that they need to spend more on themselves."

Anurag Sharma | ETRetail | Updated: March 01, 2022, 09:05 IST



Salil Kappoor, Business Head, Home Appliances, Orient Electric Limited

New Delhi: As last two years have seen an adverse impact on [air coolers](#) industry due to pandemic restrictions and lockdowns, electrical appliance maker [Orient Electric](#) sees pent up [demand](#) for air coolers this summer season.

[Salil Kappoor](#), business head of home appliances at Orient Electric said in an interaction with ETRetail, "The consumer behavior has evolved in last two years, people have realized that they need to spend more on themselves."

The company had a market capitalization of Rs 6,608.5 crore as on March 31, 2021.

Total comprehensive income of the company stood Rs 119.34 crore in the financial year ended March 2021.

He said that they have grown significantly in kitchen appliances and water heaters segment in last two years. The company reported a growth in revenue from Electrical Consumer Durables segment of Rs 481.30 crore in the third quarter ended December 2021 as against Rs 460.45 crore in the same period previous year.

Furthermore, he discusses the changes that have happened across the industry in last two years.

Demand and Supply changes during pandemic

On changing demand during the pandemic, he said that the appliances industry solved a lot of pent up demand in 2020 but as an impact of the second Covid wave, the demand tapered in 2021.

"On the supply side since this is not again a normal year, what has happened is because of huge inventory in the industry," Kappoor added.

Talking about supply chain disruptions during the pandemic, Kappoor said, due to industrial shutdowns in China and other nations, there was a shortage of raw material in 2020. And in the year 2021, price hikes of about 4 to 5 times happened because of increase in container prices. This caused variation and volatility in freight cost when it landed in the country.

Due to huge tailwinds from the government's initiative of [Make in India](#) and PLI scheme in certain categories, the industry is moving towards localisation.

He explained that custom duty rate was the trigger point in the supply chain earlier

but now with more local production, the decision making has shifted to availability of products and freight charges uncertainty. This has forced the industry to look for more localization which may help the manufacturers also in the long run.

Concluding this part, he said that the demand from retailers has gone up but supply side is going to face challenges in fulfilling the requirements in this season. People did not get the production done for products like air coolers during the September to January period which usually is the production time.

Moreover, Kappoor expects that lowering the GST rate in home appliances and coolers will help boost demand. And he believes that it will help build up supply chain in line with Make in India initiative.

Impact on Cooler Industry

The India air cooler market exhibited strong growth during 2015-2020. According to [IMARC Group](#), a market research report provider, the market is expected to grow at a [CAGR](#) of around 16 per cent during 2021-2026.

Kappoor said, "The current market size of plastic coolers is about Rs 1700 to 2000 crore depending on the customer price." But eventually the market size has also shrunk in the last couple of years.

Talking about the impact on the cooler industry, he said that it has gone through a bad phase in the last two years. But as omicron cases have decreased after January, the industry shall see a positive trend.

He said that about 60 to 70 per cent of the air coolers industry is dominated by unorganised players and 30 to 40 percent is organised players i.e plastic coolers. So, the company sees scope in the unorganised segment and expects to disrupt the category with their [metal coolers](#), specifically with their modular cooler.

Orient electric is currently present in two reportable business segments - Electrical Consumer Durables and Lighting & Switchgear. It has manufacturing facilities in Kolkata, Faridabad and Noida. In addition to India, the company has a marketing presence across 35 countries.

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