

## White Goods Importer Feel Heat

### Refrigerator **FY17**

|          |     |
|----------|-----|
| Local    | 70% |
| Imported | 30% |

### Residential AC **FY17**

|          |     |
|----------|-----|
| Local    | 65% |
| Imported | 35% |

### Washing Machine **FY17**

|          |     |
|----------|-----|
| Local    | 65% |
| Imported | 35% |

### Key Highlights -

□ The Government has hiked the import duty on 19 items including air conditioners, washing machines, refrigerator, footwear, radial tyre, diamonds and jet fuel in an attempt to curb imports that would help in bridging the widening current account deficit and reduce pressure on the rupee.

□ These changes in the rates of basic customs duty will be effective from 27<sup>th</sup> September, according to a statement by the Finance Ministry. The total value of imports of these items in 2017-18 was about Rs 86,000 Cr.

□ Import duty on AC's, Household Refrigerators and Washing Machines (less than 10kg) has been doubled to 20% each from 10% earlier. The basic customs duty on Radial Tyres is now 15% compared with 10% earlier, while the levy has been hiked to 25% from 20% on Footwear. On different types of Diamond duty was hiked from 5% to 7.5%. The government also introduced an import levy of 5% on the Aviation Turbine Fuel. On various plastic products duty was hiked from 10% to 15%.

□ The move by government will not only curb imports but will have positive impact on domestic manufacturers. The price of air conditioners could increase for the players who import while local manufactures of tyres to footwear expect a boost. The move is expected to reduce the pressure on rupee and boost the exports in the line of Make in India.

### Changes in Import Duties

|   | From % | To %  |
|---|--------|-------|
| Air Conditioners  | 10.0%  | 20.0% |
| Household Refrigerators   | 10.0%  | 20.0% |
| Washing machines <10 kg   | 10.0%  | 20.0% |
| Compressor for air conditioners and refrigerators                               | 7.5%   | 10.0% |
| Speakers  | 10.0%  | 15.0% |
| Footwears   | 20.0%  | 25.0% |
| Radical Car Tyres   | 10.0%  | 15.0% |
| Cut and polished diamonds   | 5.0%   | 7.5%  |
| Diamonds- semi processed, half cut or broken                                    | 5.0%   | 7.5%  |
| Lab grown diamonds  | 5.0%   | 7.5%  |
| Cut and polished colored gemstone   | 5.0%   | 7.5%  |
| Articles of jewellery & parts of precious metals                                | 15.0%  | 20.0% |
| Articles of Goldsmith/silversmith wares & parts thereof of precious metals      | 15.0%  | 20.0% |
| Bath, shower bath, sink, wash basin, etc. of plastics                           | 10.0%  | 15.0% |
| Plastics for conveyance & packing such as boxes, case, containers etc.          | 10.0%  | 15.0% |
| Tableware, kitchenware and other household items of plastics                    | 10.0%  | 15.0% |
| Plastics such as office stationery, fitting, decorative sheets, statuettes etc. | 10.0%  | 15.0% |
| Trunks, suitcase, executive cases, brief cases, travel bags, other bags, etc.   | 10.0%  | 15.0% |
| Aviation turbine fuel   | 0.0%   | 5.0%  |

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### Impact on White Good Industry:

The Government has raise import duty on air conditioners; refrigerator and washing machines from 10% to 20%. The move will hamper the importer of these white goods while domestic manufacture will get benefited. Import duty of compressor for AC's and Refrigerator has also increased to 10% from 7.5% earlier. Major AC components (compressor and plastic sheet) are imported from China which account to 20%-25% of the cost of an air conditioner. This move will hurt the manufacture but we expect it will pass on to end customer. On other hand contract manufacturer like Dixon technologies and Amber Enterprise will benefited from this move.

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### **Voltas Ltd**

Recently Voltas has tied up with Beko in the field of Home appliances range of product i.e. refrigerators, washing machines, microwaves / ovens and dishwashers. These products will be imported from Turkey for the time being as the manufacturing facility for these products is under construction at Sanand, Gujarat and by FY20 manufacturing of these products will start. On AC business front Voltas has in house manufacturing facilities for most of the AC model but for some of the model it is importing from China. As per media report Voltas has imported AC worth USD 34.92 mn in FY17.

### **Havells India Ltd**

Havells has entered into Air conditioner and washing machine segment by acquiring Lloyd electric and engineering business. Currently it has sourcing ACs and washing machine partially from Lloyd and domestic manufacturer. In Q1FY19 Lloyd Consumer business contributed 27% to the revenue. Havells is in process to setting up manufacturing plants for air conditioner in Rajasthan.

### **Blue Star Ltd**

Blue star is the one of the leading player in AC business. Cooling Products contributed around 60% of the total sales. Increase in import duty is not likely to affect as company has its own manufacturing facility for air conditioners, commercial refrigeration equipment and chillers. The impact of 2.5% increase in compressor imports will only negative side.

### **Johnson Control - Hitachi Air Conditioning Ltd**

Hitachi will not see a major impact as they have manufacturing facilities for Room AC and commercial ACs in India. But on compressor front it will impacted. It has also forayed into trading of Refrigerators, Air Purifiers & Washing machine and sourcing it from local manufacturer.

### **Whirlpool India**

Whirlpool India will not see a major impact as they manufacture all its home appliances except 400 litter refrigerator in India.

### **Dixon Technologies Ltd**

Dixon technologies Ltd is the contract manufacturer for Washing machine, LED TV, LED bulb, CCTV camera and different types of lighting. Dixon has its home grown manufacturing facilities in India and supplying home appliances (Washing Machine) to major brands. We expect the raise in import duty will force consumer durables importer to source from domestic players.

### **Amber Enterprise**

Amber Enterprise is the market leader in Indian Room AC OEM/ODM industry. Company is largest manufacturer and Suppliers of AC & other critical components. Company is serving the 8 out of top 10 RAC brands. The move will help Amber to extend its relationship with other RAC brands.

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