



Indian Consumer Durables Industry – Room Air-Conditioners

**A breeze of an opportunity: Soaring
demand for room air-conditioners**

SEPTEMBER 2024





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ICRA expects Indian RAC industry volumes to reach 12-12.5 million in FY2025. Industry to report double digit volume growth in the medium term led by the continued healthy demand.

The industry is likely to achieve substantial indigenisation up to ~75% in the medium term through the ongoing backward integration by most industry players.



ICRA projects the Indian room air-conditioner (RAC) industry volumes to grow at ~20-25% YoY to reach the highest ever level of ~12-12.5 million in FY2025. We have revised the RAC industry volume growth upwards post the robust volume growth in the just-concluded summer season. The volume projections for FY2025 are expected to be the highest ever, driven primarily by climatic changes.



Structural drivers such as rising temperature levels, growing need for number of RACs per household, increasing urbanisation, disposable incomes and easier consumer financing options are set to drive the long-term industry growth. This apart, replacement demand with rising preference for energy-efficient models, given the increasing usage and energy costs, continued to be a crucial factor.



FY2024 is estimated to have ended with a volume of 9.5-10 million, witnessing a healthy volume growth of 10-15% YoY. Early onset of summer in March 2024 compared to the normal arrival time of April, helped push up volumes in FY2024 compared to earlier estimates. The sales in northern India contribute more to the summer season due to high to very high temperatures coupled with the higher number of heat wave days.



RAC capacity is set to increase by 40-50% in the near term to cater to increasing demand. Current domestic India's household RAC capacity is 18-19 million units on an annual basis, which is likely to increase to 25-26 million by FY2027. Out of the top six original equipment manufacturer (OEMs) brands, four have capacity enhancement plans in the next three years.



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