

India restricts import of split air conditioning machines

In the last few years, India has been promoting indigenous manufacturing by discouraging imports and hiking import duties or restricting imports of goods which can be domestically manufacturing. On October 15, 2020, the government prohibited import of air conditioners with refrigerants to control the rising trade deficit and promote domestic manufacturing. Around 30% of India's total demand for air conditioners is met through imports. As can be seen from the following table, import of air conditioners (split system and other models) grew from USD 64 million in 2005-6 to USD 504 million in 2019-20, while exports has hardly grown from USD 19 million to USD 50 million. Consequently, India's trade deficit in split model air conditioners grew from USD 44 million to USD 454 million during this period. China, Thailand, Singapore, Hong Kong are the major source of air conditioning machines into India.

India's export and import of split system and other air conditioners (USD million)			
Year	Export	Import	Trade Deficit
2005-06	19.15	64.09	44.94
2011-12	11.13	461.58	450.45
2018-19	43.91	593.26	549.35
2019-20	50.27	504.85	454.58
Source: Ministry of Commerce & Industry, Gol			

Voltas and Blue Stars are the major manufacturers of air conditioners in India, with market share of 25% and 12.5% respectively. Other leading manufacturers are Amber Enterprises, Samsung, LG Electronics, Daikin, Johnson Controls-Hitachi, Lloyd, Whirlpool, Panasonic etc.

India is one of the high growth market for air condition led by strong demand from consumers and increasing requirement of customizable cooling solutions in commercial complexes, factories, education institutions, hospitals, railways, metro rail, buses and other user segments. According to a report by IBEF, air conditioners have a penetration of hardly 4% in India, compared to the world average of 30%. This signifies potential for strong growth in demand in the coming years.

Demand for air conditioners with built-in air purifiers is expected to grow as users prefer a hygienic room environment. In the aftermath of the COVID pandemic, leading air condition maker Blue Star launched new model with virus deactivation technology (VDT). Also, users may prefer smart, energy-efficient air conditioners to optimize power consumption. The market for window ACs is dwindling and it is being fast replaced by demand for split air conditioners. According to research agencies, demand for light commercial air conditioners, ducted & packaged, VRF and chillers will grow in the commercial user segment.

In order to utilize its manufacturing plant optimally, consumer durables major Panasonic decided to share its assembly line capacity at its Jhajjar plant with other local manufacturers. By sharing its production facility with other companies, Panasonic aims to reduce costs, optimise resources and generate new jobs.

It is expected that the government's move to restrict import of split system air conditioning machines will discourage imports from Thailand, from where air conditioning machines can be imported on concessional terms under ASEAN free trade agreement.

Notifications

PIB

Market access for agro commodities trade between India and Bhutan

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1664901>

India one of the largest manufacturers and exporters of generic medicines in the world: Minister

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1664643>

India's Foreign Trade September 2020

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1664831>

National Authority for recycling of ships

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1664703>

Daily Bulletin on COVID 19

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1664844>

DGFT

Amendment in export of alcohol based sanitisers

<https://content.dgft.gov.in/Website/dgftprod/9b7cc415-9145-4593-bff0-8ca65dfdde16/Noti%2040%20Eng.pdf>

Import of air conditioners with refrigerants is prohibited

<https://content.dgft.gov.in/Website/dgftprod/8a2e38de-63aa-4e9e-9765-eaaf78b5ba1b/Ink%20singed%20notification%20no.41%20dated%2015.10.2020%20scanned%20PDF%20English.pdf>

CBIC

Tariff Notification

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt100-2020.pdf>

Exchange rate notification

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt99-2020.pdf>