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Summer sales of appliances will offset COVID-19 impact on consumer durables sector: CARE Ratings

Appliance sales by consumer durables firms will help offset the economic impact of COVID-19 faced by these companies in 2020, CARE Ratings said in a report.

According to CARE, consumer durables goods (except travel goods and telephone, mobile phone instruments) registered double-digit growth in production on a yearly basis in Q3FY21.

The consumer electronics and appliances industry had [seen a contraction](#) in demand in Q1FY21 due to the COVID-19 outbreak and subsequent lockdown restrictions.

"Continuance of work from home culture and lectures/classes being conducted online supported the demand of goods that enhance convenience at home, such as refrigerators, electric cooking appliances, washing machines and ACs," said the report.

Production of consumer durable goods in Q3FY20 and Q3FY21

Type of goods	Unit	Q3FY20	Q3FY21	y-o-y % change
TV sets	lakh	5.1	6.5	27.5%
Air Conditioners		8.3	9.2	12.7%
Washing/laundry machines		14.4	19.8	37.5%
Refrigerators for domestic use		23.0	28.1	22.2%
Electric cooking appliances		7.6	9.5	25.0%
Travel goods, handbags, office bags etc	Rs billion	5.6	3.9	-30.0%
Computer & peripherals		5.3	7.0	32.1%
Telephone & mobile phone instruments	crore	1.5	1.4	-6.0%

Source: CMIE, CARE Ratings

CARE pointed out that this growth was primarily driven by pent up demand and the festive season in Q3FY21 in particular aided the growth.

According to business surveys conducted by the Retailers Association of India (RAI), the consumer durables and electronics category recorded yearly sales growth of 10 percent and 15 percent in the months of January 2021 and February 2021, respectively.

CARE said the growth momentum recorded in Q3 is expected to continue in the fourth quarter as well. However, it cautioned that the recent spike in COVID-19 cases could play a dampener in some regions.

Net sales of consumer durables players in FY2020 & FY2021 (Q1 to Q3)



Source: Industry, CARE Ratings

Note: Based on financials of 24 listed companies

PLI scheme to reap benefits

The report said the PLI scheme for large scale electronics manufacturing will also promote exports and it is projected that more than 60 percent of the total production will be contributed by exports.

The Union Cabinet approved the Production-Linked Incentive (PLI) scheme for 10 sectors on November 11. These are pharmaceuticals, automobiles and auto components, telecom and networking products, hardware (IT) advanced chemistry cell battery, textile, food products, solar modules, white goods, and specialty steel.

CARE noted that in FY22 the consumer durables production is expected to grow in the range of 5-8 percent.

It added that rural demand could outgrow the demand from urban markets on the back of rising rural incomes and government initiatives taken in relation to rural electrification.