

## Early summer drives RAC growth; demand recovery expected in refrigerators

We hosted a series of expert sessions with industry participants associated with leading consumer durables brands to understand the demand-supply trends for cooling products and other consumer electricals. The discussions covered (1) the latest industry trends, including demand, consumer sentiment, and premiumization; (2) company-wise product positioning, new launches, service levels, and readiness for the upcoming summer season to meet RAC demand; (3) growth across product categories and the impact of GST rationalization on RACs and TVs; (4) changes in retailers' working capital requirements and channel financing; and (5) pricing behavior, schemes offered by brands, and inventory levels across the channel.

- Overall commentary remains positive, particularly for RACs, supported by an early onset of summer and pent-up demand, leading to strong secondary sales, healthy retailer offtake, and improved conversion rates. South (except for a few areas in Kerala and Karnataka), North, Central and West have seen strong growth on the back of rising temperatures and pent-up demand. However, demand in East is yet to pick up. Channel inventory is well-balanced following the clearance of older stock, with price increases on new models driven by updated BEE norms. While the competitive landscape remains structurally unchanged, intensity has increased seasonally, with market shares continuing to vary by geography. Refrigerators have so far seen relatively subdued demand, though a pickup is anticipated from late-Mar'26 as seasonal demand improves.
- Mr. Pulkit Baid, Director and CEO of Great Eastern Retail, stated that FY25 was a weak year for RACs due to a delayed and erratic summer, leading to subdued demand and elevated inventory, with the industry largely focused on clearing old stock ahead of BEE transitions. For the FY26 season, demand is showing signs of recovery with improving summer conditions, while channel inventory has largely normalized with leaner stocking levels. Pricing has increased due to higher input costs and new BEE norms, offsetting earlier GST benefits, with further upside risk from commodities. Premiumization remains a structural trend, though moderated by affordability, with demand driven by both first-time buyers and upgrade cycles, while emerging trends include the gradual adoption of AI-enabled products and potential in solar-powered ACs.
- Mr. Abhishek Agarwal, a sales professional with seven years of experience, stated that the RAC segment is seeing a strong demand recovery, driven by pent-up demand and an early summer, leading to healthy secondary sales and improved conversions. Inventory has largely normalized, while channel financing has become a key growth driver, with ~60-70% of sales financing being led through structured credit schemes. Unlike traditional short-tenure trade advances, new financing models involve direct collaboration with brands to offer structured schemes, including 30-60 days of interest-free credit. Competitive intensity remains high, with few players leveraging aggressive financing schemes to drive primary sales and gain market share. Pricing has increased due to cost pressures and BEE norms, and premiumization continues gradually, supported by incremental product innovations.
- Mr. Rajendra Raje, Founder and Director of Lotus Electronics, stated that the RAC segment has started strongly, driven by early summer and recovery from last year's weak demand, with expectations of robust growth this summer. Channel inventory is now balanced after the clearance of old BEE stock, while pricing has increased due to higher input costs, offsetting earlier GST benefits. Competitive intensity remains high in a fragmented market, with continued premiumization and financing playing a key role in driving demand. While the outlook remains positive, key risks persist on the supply side, particularly raw material availability and geopolitical factors.

## RAC demand shows initial traction; macro headwinds persist

We hosted an expert session with Mr. Pulkit Baid to understand the latest trends in the consumer durables industry, including demand trends, consumer sentiment, and premiumization. Mr. Baid is the Director and CEO of Great Eastern Retail, one of Eastern India's largest electronics and home appliance retail chains. He indicated early signs of recovery in RAC demand with improving traction across key regions as the summer sets in; however, a meaningful pickup remains contingent on both the intensity of the season and macro stability. While brands have largely cleared old BEE inventory, high dealer-level stock and ~20-25% lower YoY secondary sales continue to constrain fresh ordering.



**Mr. Pulkit Baid**

Director and CEO of Great Eastern Retail, one of Eastern India's largest electronics and home appliance retail chains. Founded in 1976, Great Eastern Retail has been in business for 43 years.

It is India's largest electronics chain with around 60 retail outlets in seven states across the country and more than 2,000 team members.

## Gradual onset of summer drives early demand, though regional divergence persists

- 2025 was a weak year for the RAC and compressor ecosystem due to an unfavorable summer. The season was delayed and saw intermittent rainfall, which significantly reduced cooling demand and resulted in high dealer inventory across channels. It was also the final year for products compliant with the older BEE energy norms, and the industry spent much of the year clearing this legacy inventory.
- For the 2026 season, summer conditions are gradually developing. The season typically begins in Kerala, and temperatures have started rising there in the past few days after some unseasonal rains. Northern markets such as Delhi and Rajasthan are also seeing warmer weather and early heatwaves. However, eastern markets are still in the early phase of demand pickup, reflecting a lag vs. other regions. Forecasts suggest the possibility of a very hot summer. However, strong summer conditions alone may not ensure strong demand, as geopolitical tensions and macro uncertainties could weigh on consumer sentiment and discretionary spending.

## Inventory trends across old- and new-label products

- Dealers still hold some inventory of old BEE-rated products, although most brands have largely cleared old stock. Secondary sales in Mar'26 are estimated to be around ~20-25% lower than the Mar'24 levels, reflecting cautious stocking and slow demand.
- Retailers have become more cautious after last year's experience and are maintaining lower inventory levels, typically around one to two months of stock, while smaller retailers are managing inventory more tightly. Great Eastern has built inventory largely with new BEE-compliant products and avoided accumulating excess stock.
- Among brands, LG was among the first to transition to the new BEE norms, indicating minimal excess inventory, while Daikin also appears to have managed inventory efficiently. Voltas has now moved to selling new BEE-compliant products, while Godrej and Whirlpool still have some legacy inventory in the channel.

## Pricing impact of BEE norms and cost pressures

- The transition to new BEE energy norms has increased product costs due to higher copper usage and improved efficiency standards. Prices of new five-star ACs have increased by INR5,000-6,000, while three-star models have seen price increases of around INR2,000-3,000.
- As a result, the earlier GST reduction benefits on RACs have largely been offset by these cost increases. Additional price increases may occur if copper prices rise further.

### **Competitive landscape, consumer preferences and premiumization**

- Within the RAC market, demand is expected to come from two key consumer segments. The first includes value-seeking consumers and first-time AC buyers focused on affordability, while the second includes households adding additional AC units or upgrading to better models. Mass-market brands such as Lloyd, Voltas, and Godrej are likely to benefit from value-driven demand, while premium brands cater to upgrade-led consumers.
- Competition in the RAC market has intensified in recent years. Godrej, which was earlier an emerging player, has now strengthened its presence, while Whirlpool is beginning to emerge as a competitive brand. Lloyd, Voltas, and LG continue to operate largely in the mass segment, whereas Daikin and Hitachi remain positioned in the premium category.
- Regional preferences also play a role in demand. Blue Star has strong acceptance in northern and southern markets, while eastern markets often prefer Japanese brands such as Hitachi and Mitsubishi.
- Product differentiation remains limited across brands. Features such as Wi-Fi connectivity or AI-based functions are not major purchase drivers. Consumers continue to prioritize brand reliability, cooling efficiency, energy ratings, and after-sales service. Installation and service networks remain critical, with LG widely perceived to have one of the strongest after-sales service networks. Premiumization remains a structural trend, although brands have recently become cautious due to rising prices and affordability concerns.

### **Other appliances' performance and emerging trends**

- Other appliance categories performed relatively better last year. Washing machines and refrigerators, particularly double-door models, saw healthy demand. Fully automatic washing machines performed well in eastern markets, while semi-automatic models saw stronger demand in Delhi. These categories partly offset weaker RAC sales.
- Air-cooler demand remains concentrated in northern states such as Rajasthan, Delhi, and Haryana, but sales are typically limited to the first 45-50 days of summer before tapering off as AC demand strengthens.
- Many brands are introducing AI-enabled features in air conditioners, but these are not yet significant drivers of demand. Looking ahead, solar-powered air conditioners could emerge as a new category with potential growth.

## Cooling demand revives; channel financing supports

We hosted an expert interaction with Mr. Abhishek Agarwal to understand the latest trends in the consumer durables industry, including the demand environment, market share shifts, and the role of channel financing. He said that the consumer durables industry, particularly RAC, is witnessing a strong demand recovery, driven by pent-up demand from a weak FY25 summer and a timely seasonal onset, leading to improved secondary sales and retailer offtake. The mid-range segment remains dominant, though premiumization is gradually picking up. Inventory levels have largely normalized, with brands leveraging structured financing schemes to accelerate primary sales and enhance channel liquidity, making financing a key growth driver.



**Mr. Abhishek Agarwal**  
Sales professional with over seven years of experience in channel sales and relationship management in the consumer durables sector across Northern India. He is currently associated with Progcap, where he plays a key role in enabling working capital financing solutions for leading brands such as LG, Daikin, Godrej Group, and Voltas through onboarding and supporting their channel partners.

## Demand environment, seasonality and consumer trends

- The consumer durables industry, particularly the RAC segment, is witnessing a significantly improved demand environment compared to last year, supported by pent-up demand from a weak FY25 summer and the timely onset of summer this year. Customers who deferred purchases have returned, driving strong secondary sales momentum, healthy retailer-level offtake, and improved conversion rates, aided by expectations of price hikes.
- The mid-range segment continues to dominate, while premiumization is gradually gaining traction with AI-enabled and inverter-based models across metros and Tier 2/3 markets. Consumer behavior remains hybrid; discovery is digital, but purchases are largely offline in non-metros. Demand is stronger in Tier 2/3 markets due to lower online penetration, while Tier 1 demand is increasingly shifting toward online platforms and large-format retail.

## Inventory normalization and channel financing as a key lever

- Inventory levels are largely under control, with most brands entering the season in a relatively cleaner position, although some residual stock persists. Brands like Godrej and Daikin strategically leveraged financing schemes (30-60 days of interest-free credit) to accelerate primary sales and improve distributor liquidity.
- Channel financing has become a critical driver of industry growth, especially during the peak season, with an estimated ~60-70% of distributor sales being financing-led. Key players include Bajaj Finance, Tata Capital, Procapp, and Jana Small Finance Bank, with distributors increasingly utilizing financing lines to maximize throughput. Progcap's longer credit cycles are gaining traction over traditional short-tenure financing options, driving incremental sales and strengthening channel partnerships.
- Unlike traditional short-tenure trade advances, new financing models involve direct collaboration with brands to offer structured schemes, including 30-60 days of interest-free credit, often partially subsidized by OEMs. These schemes have enabled targeted activation of distributors and have proven highly effective in driving primary sales growth and market share gains.

## Competitive intensity and brand-level momentum

- Competitive intensity remains elevated, higher than last year, driven by inventory overhang and aggressive strategies adopted by brands. Voltas continues to maintain its leadership position, particularly in northern markets, with stable market share.
- However, Godrej and Daikin have emerged as key gainers this season, leveraging aggressive financing schemes to drive primary sales. Godrej, in particular, has seen a strong recovery, gaining market share largely at the expense of Lloyd and Haier, while Voltas has remained relatively resilient. Blue Star has also seen strong momentum, supported by targeted credit schemes and improved channel engagements.

- LG continues to strengthen its leadership in the refrigerator segment across India, with market share rising to 26% from 23% last year, followed by Samsung at 22% and Whirlpool at 18%. Haier, Godrej, and Voltas-Beko hold relatively smaller shares. In washing machines, LG remains the clear market leader with a 30% share, significantly ahead of Samsung, Whirlpool, and Haier. In the room AC segment, regional dynamics in UP indicate Voltas as the market leader with ~25% share, while Daikin is increasingly aggressive and closing the gap with Haier, intensifying competition for the third position behind Lloyd.

#### **Pricing, supply chain and product innovation**

- On the pricing front, while GST-led price reductions had earlier supported demand, companies have gradually increased prices to offset cost pressures. BEE star rating changes have had limited influence on consumer decisions and are primarily used as a sales tool at the dealer level, especially given the continued presence of older inventory in the channel.
- From a supply chain perspective, there are no immediate concerns regarding production disruptions, as most players have significantly increased localization and reduced dependence on imports. On the product side, brands continue to introduce incremental innovations, particularly in energy efficiency and smart features. Voltas has seen traction with its AI-enabled portfolio, while Godrej, Haier, and Lloyd have also introduced new SKUs, supporting gradual premiumization in the category.

## Strong summer outlook with stable inventory

We hosted an expert interaction with Mr. Rajendra Raje, Founder and Director of Lotus Electronics, to understand the latest trends in the consumer durables industry, including demand dynamics, supply chain conditions, and brand strategies amid rising competitive intensity. He indicated that the RAC segment is witnessing a strong demand recovery, driven by an early summer onset and expectations of a prolonged season, with secondary sales growing ~30% YoY in Jan'26 and momentum accelerating further in Feb'26. High temperatures and a likely extended summer are expected to sustain demand, with industry growth projected at ~45-50% for the season, subject to stable supply conditions. In contrast, refrigerator demand remains relatively subdued, with modest ~3-6% YoY growth in January, though a pickup is anticipated from late March as seasonal demand improves.



**Mr. Rajendra Raje**

Founder and Director of Lotus Electronics, the premier shopping destination for consumer electronics, home appliances and IT products in Madhya Pradesh, Chhattisgarh, Rajasthan and Maharashtra. The company was founded in 2000 with the aim of providing multi-brand electronic products under one roof and opened its first store in Indore, spread over 15,000 sq ft area. It operates through its 27 showrooms in nine cities (Bhopal, Ujjain, Jabalpur, Raipur, Bilaspur, Nagpur, Jaipur, Indore) with plans to expand in other towns.

## RAC demand surges on early summer onset; strong season ahead

- The RAC segment is witnessing a sharp demand recovery, supported by an early onset of summer and expectations of a prolonged season. He indicated that secondary sales in Jan'26 grew ~30% YoY at an all-India level. Their RAC sales are seeing even stronger momentum (~50% growth in Feb'26, though industry growth data in Feb'26 was not available). Rising temperatures (already ~40°C in several regions by early-Mar'26) and forecasts of a ~five-month summer are expected to keep demand robust through mid-Jun'26. It expects ~45–50% growth in RAC sales for the 2026 season, contingent on supply-side stability.
- Unlike RAC, refrigerator demand has remained relatively muted so far, with only ~3-6% YoY growth in January. The category typically lags ACs seasonally, with demand acceleration expected from late March/early April onward. While early indicators remain soft, the segment is likely to benefit from peak summer months, and a clearer trend will emerge over the next few weeks.

## Inventory situation and channel dynamics

- Channel inventory is currently well balanced. Entering the season, companies were focused on liquidating FY25 inventory due to changes in energy efficiency norms (BEE rating transitions), which led to a temporary supply gap as brands held back FY26 inventory until older stock was cleared.
- As of now, most of the older inventory has been liquidated, and the market is adequately stocked with new models. There is no evidence of excess inventory buildup in the channel. Procurement growth in early months remained limited due to this inventory transition but picked up once new stock was introduced.
- Channel behavior is also influenced by logistical constraints such as warehousing capacity, especially as product sizes increase, reducing storage efficiency.

## Pricing, cost pressures and consumer offers

- Pricing dynamics have been influenced by both policy and cost factors. While GST rate cuts had initially reduced prices, this benefit has largely been offset by rising input costs, including copper and other commodities. Current product pricing already reflects these higher input costs. Looking ahead, further price increases are likely due to rising commodity prices, crude-linked cost pressures (plastics and resins), and potential supply-side uncertainties.
- Despite this, aggressive discounting is not widespread at present. Promotional schemes such as free installation or EMI offers were more prevalent last year due to high inventory levels but are currently limited and could reduce further if demand sustains and supply tightens.

### Supply chain, raw material and production risk

- The supply condition remains a key monitorable. While no immediate disruptions have been reported, there are emerging risks related to crude oil volatility, potential chip shortages affecting electronic components, and global geopolitical tensions affecting raw material availability.
- Any prolonged disruption could affect production, availability, and pricing. A stock-out situation cannot be ruled out if demand remains strong and supply constraints materialize simultaneously.

### Competitive intensity, brand strategies and product launches

- Competitive intensity remains high during the summer season, as expected. Key players such as VOLT, BLSTR, HAVELLS (LLOYD), LG, Samsung, and Daikin continue to be aggressive, particularly in the RAC segment.
- There has been no major structural change in the competitive landscape, although intensity increases seasonally. Market shares vary significantly by geography, with no single dominant player across regions due to the fragmented nature of the industry.
- On the product side, new model launches are focused on updated energy ratings and incremental improvements. Larger appliance sizes (e.g., multi-door refrigerators) are gaining traction, and premiumization is visible across categories, supported by rising incomes.

### Financing a key demand enabler; premiumization across categories

- Financing remains a key enabler of demand, contributing to a significant portion of sales. This is driven by easy EMI options, consumer finance schemes, and cashback-based promotional offers. Financing costs are partially absorbed within the channel depending on competitive intensity.
- There is a clear shift toward premium products across categories. In RAC, higher-end models (inverter, energy-efficient units) are gaining traction. In televisions, demand has shifted decisively toward larger screen sizes (50-55 inches), with premium technologies like OLED/QLED seeing increased adoption. Similarly, washing machines are witnessing a shift toward fully automatic variants, and mobile phone ASPs have increased significantly (from ~INR15,000 to ~INR35,000 over three years), reflecting strong premiumization trends. Mobile phones continue to see rising average selling prices, indicating strong premiumization trends. Fans, particularly BLDC variants, are also gaining traction due to energy efficiency benefits.
- The air cooler segment remains extremely sensitive to temperature fluctuations. Demand spikes only during peak heat conditions and drops sharply with the onset of monsoon. As a result, while the category can see strong short-term demand during intense heatwaves, its overall contribution remains volatile and less predictable compared to RAC.

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