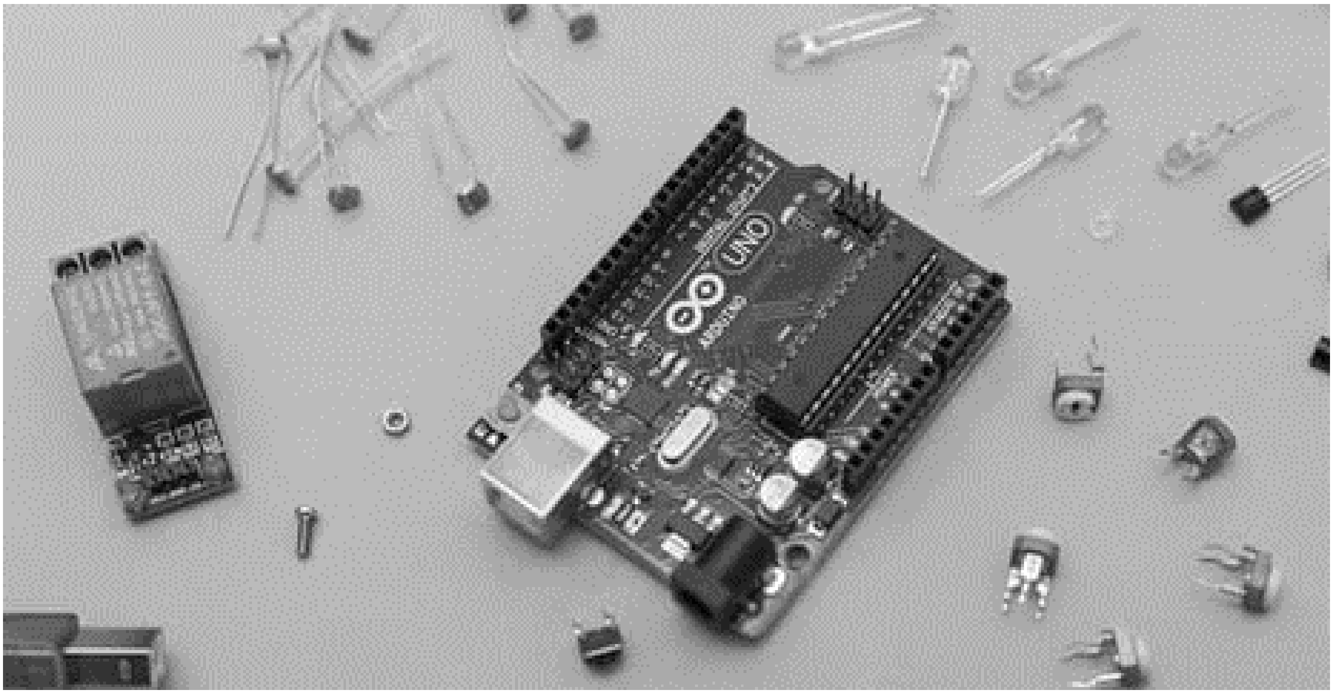
AUGUST 2021

MIIM REPORT ON INDIA'S WHITE GOODS INDUSTRY



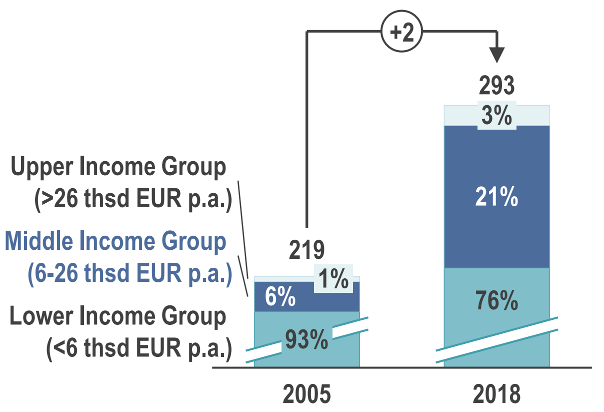
MAKE IN INDIA MITTELSTAND!

Make in India Business Support Programme for German Mittelstand and Family Owned Enterprises

1. SECTOR OVERVIEW – WHITE GOODS

India as one of the Largest Consumer Markets Globally

Number of Households in India (mio units)



2ND
Largest population (1.3 bln) globally after China

17%
Of world's population is represented by India

Growing middle class, increasing income levels, rapid urbanization will help India become the world's fifth largest consumer market by 2025 - moving up from its 2007 position as the world's 12th largest consumer market - making it one of the most preferred destination for consumer products, including consumer durables. In next 3-4 years, India is set to overtake China's population.

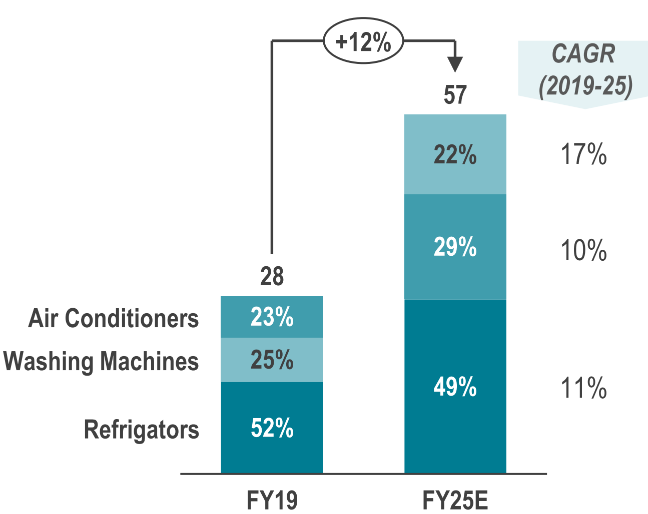
Also, the country is witnessing the creation of many new markets in rural India with faster development of tier II/ III cities and a further expansion of the existing ones.

White goods Industry in India

INDUSTRY HIGHLIGHTS

- India's whitegoods industry is estimated at 7 bln EUR in 2020.
- The household penetration levels for most product categories are lower compared to other countries - *the penetration level of ACs are at 6-7%, refrigerators at 30-33% and washing machines at 11-13%.*
- During pre-covid levels, the industry was growing at 10 to 13% CAGR while it has seen de-growth of 30-35% during March-Sept 2020 period. The industry is expected to come back to 12% growth during 2021 to 2025.

White goods Production (mio units)

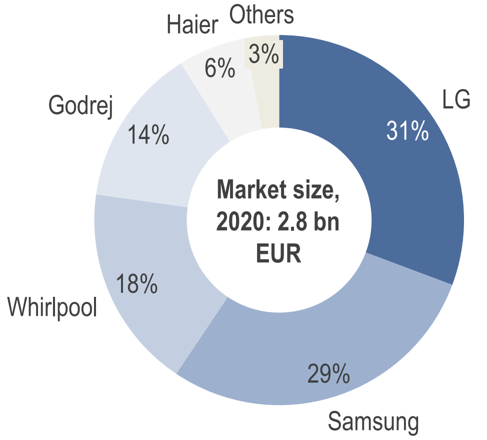


Embassy of India
Berlin

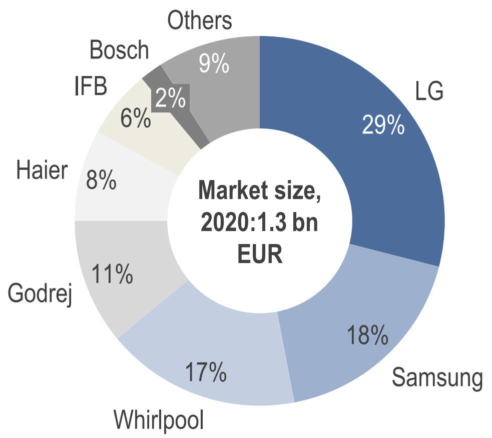
SEGMENT – REFRIGERATOR

- The industry is ruled by MNCs; with LG, Samsung and Whirlpool enjoying top position.
- Almost 75-80% of Refrigerator components are manufactured in India, but key components like compressors and refrigerants are still being imported.
- Direct-cool refrigerators form ~70% of the overall Refrigerator market in terms of volume while frost-free refrigerators (28% market share) is gaining popularity in households and its share is expected to rise gradually.

Player-wise Market Share



Player-wise Market Share



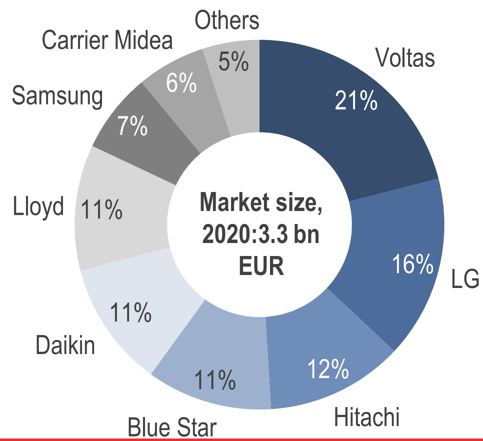
SEGMENT – WASHING MACHINES

- Apart from ACs, Washing Machines are the least penetrated product category, with current estimates of ~11%. The key reason for the low penetration can be attributed to: a) low perceived utility historically; and b) availability of cheap domestic help.
- Shift towards high-end front-load machines to drive value growth. While semi automatic Washing Machines constitute over 50% of industry volumes, its share in value terms is lower ~40%.
- The fully-automatic frontload format has less than 20% volume share, but in terms of value, it is ~30% of the industry size.

SEGMENT – AIR CONDITIONERS

- India has ~7% penetration in AC segment - thus, progress on this front could drive sales significantly.
- Competitive intensity remains high, with >40 brands competing for market share.
- Most AC manufacturers in India follow the 'outsource and assembly' model, with lower spending on R&D.
- Most companies now import compressors and motors from China/Thailand and outsource the rest to contract manufacturers like AMBER and DIXON.

Player-wise Market Share



Growth Drivers

- **Work from home Lifestyle** is leading to a rise in demand for things that improve personal convenience at home including air conditioners.
- **Policy Support:** Flexible and supportive government policies such as the relaxation of licence restrictions, production linked incentive schemes etc.
- **Increasing investor confidence:** Consumer goods has attracted 12 bln EUR of investment in the past five years for capacity expansions.
- **Ease of finance to boost demand of white goods**: Almost 20% purchases of home appliances sales comes through financing options.
- **Other important growth drivers:** Rising income levels, changing lifestyles, soaring summer temperatures, underpenetrated domestic market and expansion in rural markets.

Trends

- **Local behaviour and products indigenisation:** Consumer needs are shifting towards convenience, automation and home consumption as people are moving towards do-it-yourself.
- **Innovation-focused supplier and R&D ecosystem:** Consumer appliance products are evolving into smart appliances through internet of things, app-based control and automation using artificial intelligence. Also, focus on cost innovation within R&D to develop products that offer quality at an affordable price.
- **Online Buying:** Social distancing caused the buying process to move online. The whole consumer buying process will continue to evolve, as consumers make greater use of internet, social media, online search and ecommerce touchpoints, leading to digitisation of the consumer decision making journey.
- **Rising need for automation within products:** During the lockdown, most people took up the responsibility of managing daily household chores. There is a significant increase in the amount of time spent on household chores. In the 'new normal', consumers will likely invest in automated, technologically superior products to ease their lives.

2. GOVERNMENT POLICIES – PRODUCTION LINKED INCENTIVES

AIR CONDITIONERS

PLI scheme Total outlay

0.7 bn EUR over 5 years

Under The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India

BACKGROUND/ RATIONALE

- Imports still a mainstay in the supply chain: In ACs, products like compressors, motors and refrigerants are imported. These form a bulk of the product cost.
- Most companies now import compressors and motors from China/Thailand and outsource the rest to contract manufacturers like AMBER and DIXON.
- Components like inner door units (IDUs) and outer door units (ODUs) are predominantly made in India or via domestic contract manufacturers

Highlights

- Product focus:
  - Air Conditioners (Components- High value Intermediates or Low Value Intermediates or sub-assemblies or a combination thereof)
  - High Value Intermediates (Copper Tubes, Aluminium Foil and Compressors)
  - Low Value Intermediates (PCB assembly for controllers, BLDC motors, Service Valves and Cross Flow fans for AC and other components)

LED's

BACKGROUND/ RATIONALE

- Though 85-90% of India's domestic LED requirement is being met by domestic production, local value addition has remained stuck at 40-50% – thus, the focus is on local production of LED components and increase exports of LED's

Highlights

- Product focus:
  - LED Lighting Products: Core Components like LED Chip Packaging, Resisters, ICs, Fuses and large-scale investments in other components etc.
  - Components of LED Lighting Products (like LED Chips, LED Drivers, LED Engines, Mechanicals, Packaging, Modules, Wire Wound Inductors and other components

Please refer detailed policy document at: https://dipp.gov.in/sites/default/files/PLIWG-Notification-16042021_10May2021.pdf

- **Quantum of Incentive:** The PLI Scheme shall extend an incentive of 4% to 6% on incremental sales (net of taxes) over the base year of goods manufactured in India and covered under target segments, to eligible companies, for a period of five (5) years
- **Eligibility**
  - Companies making brown field or green field Investments
  - Eligibility shall be subject to thresholds of cumulative incremental investment and incremental sales

Other Incentives and Support Policies

Export Promotion Capital Goods Scheme

helps in facilitating the import of capital goods for manufacturing quality goods

State Incentives

Indian states provides capital subsides and stamp duty exemptions for new investment in manufacturing

Incentives under Electronics manufacturing schemes

Indian states such as Uttar Pradesh and Tamil Nadu has announced "Electronics Manufacturing Policy" – includes incentives for electronics parts of consumer durables

3. OPPORTUNITIES FOR INVESTORS

Under PLI schemes, Indian government has clearly highlighted product segments that add significant value to the domestic manufacturing and are still import driven - thus, investment in such segments would attract good amount of support from state and central government including incentives and preferential treatment.

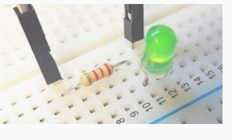
Copper Tubes

Aluminium Foil

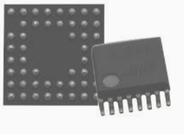
Compressors

BLDC motors

PCB assembly



Resisters



ICs

LED Drivers

LED Chip and Packaging

Service Valves and Cross Flow fans

Wire Wound Inductors

4. ABOUT MIIM

About MIIM

'MIIM' is a market-entry support programme for German Mittelstand and family owned enterprises launched in 2015 by Embassy of India in Berlin, Germany and is driven by Government of India's national programme, 'MAKE IN INDIA'.

The objective of MIIM programme is to facilitate investments by German Mittelstand and family-owned companies in India and to provide market entry related services.

The MIIM program has enrolled a total of 151 companies which represent a cumulative declared investment of 1.4 bn EUR to India.

As a part of MIIM program, members are exposed to a wide range of business support services under a single platform. The program is being implemented with the support of its Knowledge Partner - Euro Asia Consulting – EAC, Facilitation Partners including Central and State Government Ministries in India and also key industry partners who can support the companies in various aspects of market entry into India. Offered services includes Strategy consulting, M&A, operational market entry support, tax & legal support, financial services and other services.

Key MIIM Members: Snapshot

LIEBHERR

Uhlmann

Graepel

verbio

KUHN water experts – world wide

uniper

SCHERDEL

comazo Wir leben Lieblingswäsche

EIBENSTOCK Elektrowerkzeuge

UPCOMING EVENTS

MIIM Webinar on "India's Growing Attractiveness as Sourcing Hub"

- Date: 22 July 2021; Time: 10:00 AM – 11:00 AM CET

MIIM Webinar on "Decoding New Labour Codes in India"

- Date: 28 July 2021; Time: 10:00 AM – 11:00 AM CET

To register please write us at miim@indianembassy.de

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MAKE IN INDIA BUSINESS SUPPORT PROGRAMME FOR GERMAN MITTELSTAND AND FAMILY OWNED ENTERPRISES

MIIM PROJECT TEAM:
Mrs. Paramita Tripathi | Head MIIM Project Team | Deputy Chief of Mission | Embassy of India, Berlin
Mr. Saketa Musinipally | MIIM Project Team | Second Secretary | Embassy of India, Berlin

MIIM Hotline:
Email: miim@indianembassy.de
Phone: +49-30-25795514 Fax: +49-30-25795520

MIIM online:

- https://indianembassyberlin.gov.in/MIIM
- www.facebook.com/IndiaInGermany
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