

India Room Air Conditioner Market Assessment, By Type [Split AC, Window AC, Portable], By Capacity [Up to 1 Ton, Between 1 to 1.4 Ton, Between 1.5 to 2 Ton, Above 2 Ton], By Compressor Technology [Inverter, Non-Inverter], By Purification Technology [With Inbuilt-Purifier, Without Inbuilt-Purifier], By Star Rating [One Star, Two Star, Three Star, Four Star, Five Star], By End-use (Residential, Commercial), By Distribution Channel [Online, Offline], By Region, Opportunities, and Forecast, FY2017-FY2031F

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Abstracts

India, with its diverse climate zones and growing population, is experiencing an increasing need for room air conditioning. Even those regions that previously had milder temperatures are now undergoing hotter and longer summers due to ongoing global warming. This shift in climate patterns has led to a higher demand for cooling solutions like air conditioners which are propelling the room air conditioner market growth in India. The Room Air Conditioner Market in India was recorded at 8.58 million units in FY2023 and is likely to reach 18.66 million units in FY2031 growing at a CAGR of 11.74% for the forecast period between FY2024 and FY2031 owing to the expansion of new housing societies & residential sector, and rapid commercialization. In addition, growth in the number of residential & commercial construction projects in metropolitan and tier-2 cities enhances the demand for room air conditioners in the coming years.

According to the report titled 'Climate Investment Opportunities in India's Cooling Sector' by World Bank, the demand for cooling equipment in India is expected to increase

eight times more by 2037 than it is currently (FY2023) in terms of volume.

Moreover, government initiatives promoting energy efficiency, increasing environmental awareness, and a growing middle class coupled with higher disposable income are also influencing market growth. Additionally, factors like health considerations, affordability, competitive pricing, and improved after-sales service play a role in the market's expansion.

Rising Awareness About Energy-Efficient Models

Apart from the cost savings, government regulations and standards enforced to reduce energy consumption and minimizing carbon footprint has contributed to the demand for energy efficient room air conditioners in the country. Hence, surging demand for energy efficient room air conditioners has boosted the India Room Air Conditioner market growth. Moreover, India's Bureau of Energy Efficiency (BEE), a statutory body under the Ministry of Power, has implemented a star rating system for appliances, including split ACs, to indicate their energy efficiency.

The star ratings range from 1 to 5 stars, with 5-star-rated appliances being the most energy-efficient. Additionally, consumers in India often prefer higher star-rated appliances to save on energy costs. The adoption of energy-efficient room air conditioners not only reduces carbon footprints but also benefits in the long term to sustainable industry growth. According to the World Bank report, by 2040, the transition to clean, efficient energy is expected to create an investment opportunity of almost USD 1.6 trillion in India across industries which includes India room air conditioner market as well.

Growing Demand from Tier 2 and Tier 3 Cities

In cities such as Mumbai, New Delhi, and Hyderabad, there is a greatest concentration of air-conditioned buildings, air conditioning presently accounts for roughly 40-60% of peak-power demand during the summer. Additionally, there is increasing demand for room air conditioners in Tier 2 and Tier 3 cities in India. The aspirations and lifestyle preferences of people in tier 2 and tier 3 cities have evolved. With increased exposure to media, internet, and urban culture, there is a desire to adopt modern amenities and a comfortable lifestyle, which includes air conditioning.

Over the years, Jaipur which is a tier 2 city, has experienced rapid urbanization and economic growth, attracting investments and businesses. As the population in Jaipur is

influenced to improve their lifestyles, the demand for room air conditioners has seen a significant rise. The hot and arid climate of Rajasthan, with scorching summers, further contributes to the need for cooling solutions. Likewise, other tier 2 and 3 cities from South and East India are contributing to the rising demand for room air conditioners, which is expected to propel the market growth in the forecast period.

Government Initiatives and Regulations

The Government of India has been taking several measures to influence the India room air conditioner market and promote energy efficiency. Government of India has taken various measure to boost domestic production of room air conditioners in the historical period. For instance, in April 2021, the government of India approved INR 62.38 billion production-linked incentive (PLI) plan for white products such as air conditioners and LED lights. The scheme's primary goal is to make Indian manufacturing more globally competitive by reducing sectoral barriers, establishing economies of scale, and assuring efficiency.

Apart from this, Government of India has put restriction on direct import of complete air conditioner units, resulting in manufacturers to set-up domestic production plants. In addition, to encourage the use of more energy-efficient air conditioners, India's Bureau of Energy Efficiency specifies minimum energy performance criteria for air conditioners and has been increasing this efficiency performance requirement by roughly 3% every year.

Split Air Conditioners Dominate

The demand for room split air conditioners (ACs) is on the rise in India due to several compelling reasons. The cooling efficiency provided by split ACs allows for precise temperature control and targeted cooling, ensuring optimum comfort while minimizing energy consumption. In addition, the reduced noise levels offered by split ACs make them ideal for creating a peaceful environment in bedrooms, study areas, and small offices. The availability of energy-efficient models aligns with the growing awareness of energy conservation and environmental concerns among Indian consumers. Additionally, the affordability and wide range of options have made split ACs more accessible to a larger segment of the population. Voltas sold nearly 1.2 million units of air conditioners in the residential sector in first six months of 2022 .

Indian Population Prefer Offline Channel Purchase

The trust and assurance that come with physically examining the product, interacting with sales representatives, and accessing after-sales service are significant drivers for offline purchases in the room air conditioner market in India. Consumers value the opportunity to negotiate prices, receive demonstrations, and avail themselves of installation services, which are commonly provided by offline retailers. However, the convenience, competitive pricing, and wider product range offered by online channels are attracting a growing number of Indian consumers. E-commerce platforms are working to address concerns related to trust and service by providing detailed information, customer reviews, and reliable delivery and installation services. By FY2030, the share of offline purchases is expected to account for almost two-third of the total sales.

Impact of COVID-19

Initially, the market witnessed a fall in demand due to nationwide lockdowns and limitations on transportation as customers concentrated solely on important purchases. The closure of retail locations and interruptions in the supply chains had an impact on room air conditioner sales. However, owing to the outdoor restrictions, there was a rise in demand for cooling appliances such as room air conditioners. Many houses invested in air conditioners to provide a congenial atmosphere due to work-from-home arrangements and the desire for increased interior comfort. Furthermore, as the population became more cognizant of the need of preserving clean and healthy indoor air, room air conditioners with enhanced filtration and purification technologies became more popular.

Key Players Landscape and Outlook

Players operating in the market focus on product innovation, branding, R&D, pricing, competitive offers, and providing the best after-sales service and support. Since, COVID-19 Pandemic, the market players in India had been launching products with in-built HEPA filters owing to rising consumer preference for pure and virus free air.

For instance, Voltas, one of India's cooling product leaders from the Tata Group, has enhanced its position in the cooling goods industry by releasing India's first AC with HEPA Filter technology in 2022. Voltas' PureAir 6 Stage Adjustable Inverter AC is the company's latest offering, with a unique value proposition of 'Pure and Flexible Air Conditioning.'

Contents

1. RESEARCH METHODOLOGY

2. PROJECT SCOPE & DEFINITIONS

3. IMPACT OF COVID-19

4. EXECUTIVE SUMMARY

5. VOICE OF CUSTOMER

5.1. By Demographics (Age, Income, Geography, Gender, Family Size, etc.)

5.2. Brand Awareness and Loyalty

5.3. Buying Behaviour Analysis

5.3.1. Factors Affecting Buying Decision

5.3.1.1. Product Type

5.3.1.2. Product Technology

5.3.1.3. Energy Efficiency

5.3.1.4. Offers and Discounts

5.3.1.5. Reviews and Recommendations

5.3.2. Intent of Future Purchases

5.4. Preference of Purchase Period

5.5. Channel of Purchase

5.6. Lifestyle Trends

5.7. Pain Areas of Product Owners

6. INDIA ROOM AIR CONDITIONER MARKET OUTLOOK, FY2017-FY2031

6.1. Market Size & Forecast

6.1.1. By Value

6.1.2. By Volume

6.2. By Type

6.2.1. Split AC

6.2.2. Window AC

6.2.3. Portable

6.3. By Capacity

6.3.1. Up to 1 Ton

6.3.2. Between 1 to 1.4 Ton

- 6.3.3. Between 1.5 to 2 Ton
- 6.3.4. Above 2 Ton
- 6.4. By Compressor Technology
 - 6.4.1. Inverter
 - 6.4.2. Non-Inverter
- 6.5. By Purification Technology
 - 6.5.1. With Inbuilt-Purifier
 - 6.5.2. Without Inbuilt-Purifier
- 6.6. By Star Rating
 - 6.6.1. One Star
 - 6.6.2. Two Star
 - 6.6.3. Three Star
 - 6.6.4. Four Star
 - 6.6.5. Five Star
- 6.7. By End-use
 - 6.7.1. Residential
 - 6.7.2. Commercial
- 6.8. By Distribution Channel
 - 6.8.1. Online
 - 6.8.2. Offline
- 6.9. By Region
 - 6.9.1. North
 - 6.9.2. East
 - 6.9.3. West & Central
 - 6.9.4. South
- 6.10. By Company Market Share (%), FY2023

7. MARKET MAPPING, FY2023

- 7.1. By Type
- 7.2. By Capacity
- 7.3. By Compressor Technology
- 7.4. By Purification Technology
- 7.5. By Star Rating
- 7.6. By End-use
- 7.7. By Distribution Channel
- 7.8. By Region

8. MACRO ENVIRONMENT AND INDUSTRY STRUCTURE

- 8.1. Supply Demand Analysis
- 8.2. Import Export Analysis
- 8.3. Value Chain Analysis
- 8.4. PESTEL Analysis
 - 8.4.1. Political Factors
 - 8.4.2. Economic System
 - 8.4.3. Social Implications
 - 8.4.4. Technological Advancements
 - 8.4.5. Environmental Impacts
 - 8.4.6. Legal Compliances and Regulatory Policies (Statutory Bodies Included)
- 8.5. Porter's Five Forces Analysis
 - 8.5.1. Supplier Power
 - 8.5.2. Buyer Power
 - 8.5.3. Substitution Threat
 - 8.5.4. Threat from New Entrant
 - 8.5.5. Competitive Rivalry

9. MARKET DYNAMICS

- 9.1. Growth Drivers
- 9.2. Growth Inhibitors (Challenges and Restraints)

10. KEY PLAYERS LANDSCAPE

- 10.1. Competition Matrix of Top Five Market Leaders
- 10.2. Market Revenue Analysis of Top Five Market Leaders (in %, FY2023)
- 10.3. Mergers and Acquisitions/Joint Ventures (If Applicable)
- 10.4. SWOT Analysis (For Five Market Players)
- 10.5. Patent Analysis (If Applicable)

11. PRICING ANALYSIS

12. CASE STUDIES

13. KEY PLAYERS OUTLOOK

- 13.1. Voltas Limited
 - 13.1.1. Company Details

- 13.1.2. Key Management Personnel
- 13.1.3. Products & Services
- 13.1.4. Financials (As reported)
- 13.1.5. Key Market Focus & Geographical Presence
- 13.1.6. Recent Developments
- 13.2. LG Electronics India Private Limited
- 13.3. Daikin Airconditioning India Private Limited
- 13.4. Blue Star Limited
- 13.5. Lloyd Electric & Engineering Limited
- 13.6. Johnson Controls Hitachi AC Limited
- 13.7. Samsung India Electronics Limited
- 13.8. Carrier Midea India Private Limited
- 13.9. Whirlpool of India Limited
- 13.10. Panasonic Life Solutions India Pvt. Ltd.

*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work

14. STRATEGIC RECOMMENDATIONS

15. ABOUT US & DISCLAIMER

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