

# Modern Trade: RAC Channel Check

Consumer Durables | Update

March 05, 2024

## Price sanity prevails amid fierce competition

### Key Points

- Modern Trade (MT) comprises both Retail Chains such as Vijay Sales, Croma & Reliance Digital and E-commerce platforms such as Amazon & Flipkart.
- RAC season has not picked up (from Feb'24) as was expected due to a prolonged winter.
- For RAC, summer season usually starts when night temperatures start to range ~26-28 degrees. Average temperatures during the day continue to be ~20-25 degrees in NCR, 25-30 degrees in Western Region and 27-32 degrees in South India.
- Post Holi (25<sup>th</sup> March) is when the MT channel is optimistic about summer setting in; therefore, RAC sales are picking up in full swing. Optimism about summer sales (in 1QFY25) across MT channels remains high.
- Easy availability of consumer finance and cashback offers are the main reasons drawing consumers towards premium products. As a result, mass category brands have lost some sheen.

**No sharp pricing declines despite fierce competition:** The pricing discount has been under ~Rs500-1,000 despite fierce competition. A delayed summer may compress the strong volume growth expected across MT channels. On YoY basis, growth is expected to be moderate (in 12-15% range in 4QFY24), mainly owing to a lower base.

**RM pricing advantage to enhance gross margins:** Copper prices have declined by ~7-8% on YoY basis and Aluminium prices have declined ~12-15% on YoY basis. Since the brands have not taken any sharp pricing cuts, RAC players are expected to see gross margin improvements in 4QFY24.

**Voltas' pricing swings across that of Lloyds:** Voltas' pricing gap with Lloyd has narrowed and the average difference between the two brands remains under Rs1.0k – Voltas is now available lower than Lloyd on most days across MT channels. Channel checks indicate that Voltas has gone a little aggressive on seller margins.

**Daikin has become one of the fastest selling RACs, predominantly because:** (1) Roll-out of products in the price range which is now only slightly higher than Voltas & Bluestar (vs a higher price difference earlier) and (2) Easy and interest-free credit availability.

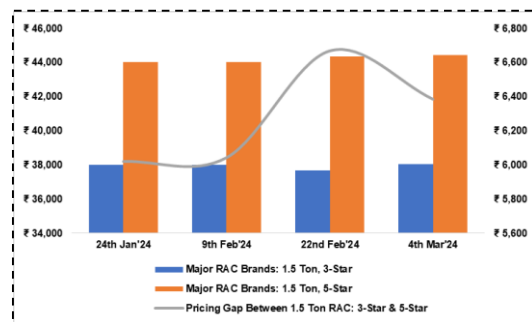
**Premiumisation leads to lower demand for mass category brands:** After availing cashback offers + interest free EMI options, consumers are now indifferent towards paying an extra price of ~Rs1.5-2.5k over 18-24 months. Hence, among brands of this price difference, consumers now prefer premium ones.

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Segment	Prominent Players (Descending Order)
RAC – Premium	O-General, Mitsubishi
RAC – Premium to Mid	Daikin, LG, Samsung
RAC – Mid	Blue Star, Voltas, Lloyd
RAC – Others	Godrej, Haier

RAC Category	Players
Current Market Leader	Voltas
Losing Market Share	Voltas
Picking-up Good Traction	Daikin
Highest Advertising	Lloyd
Moving From Premium to Mid Premium	Daikin
Moving From Upper-Mid to Lower Mid	Voltas
Consistent Performer	Blue Star

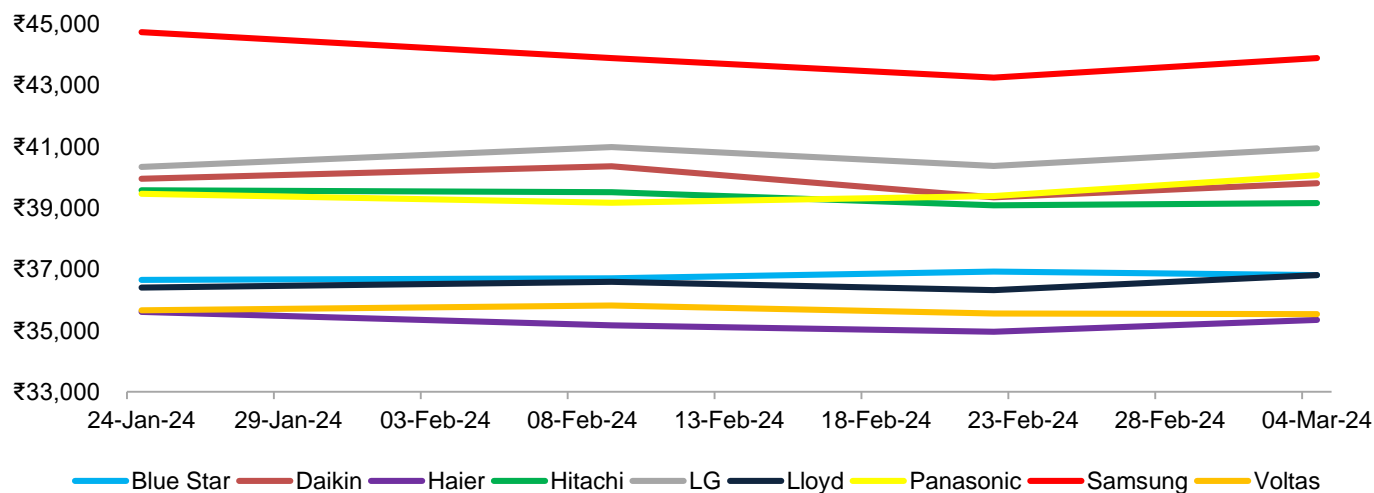
RAC Average Pricing & Pricing Gap



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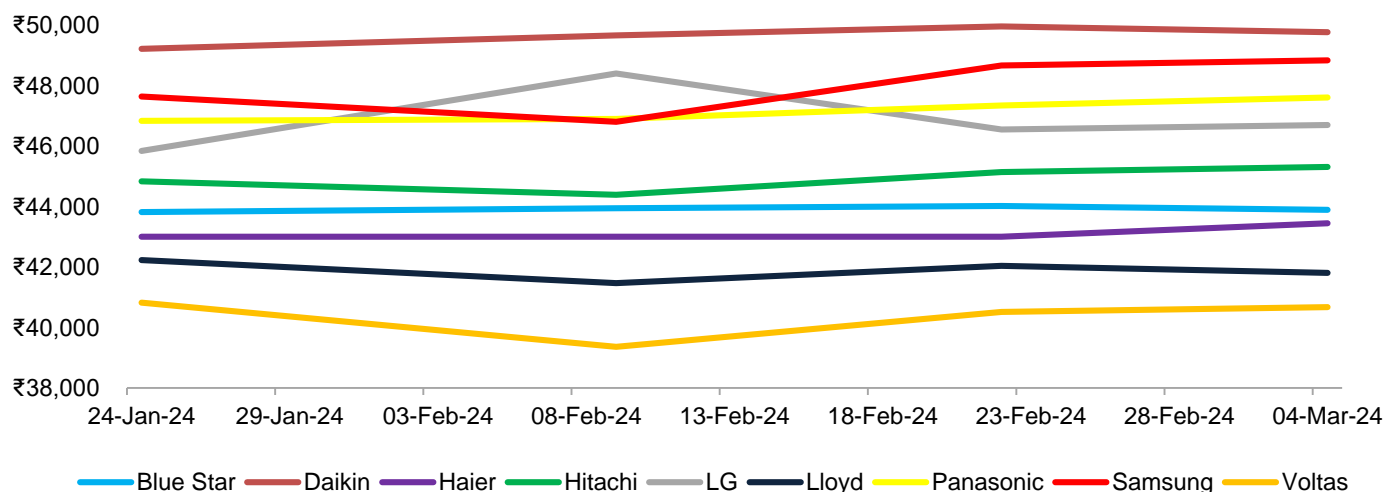
Pricing discount minimal among brands; Voltas' price range close to lowest among mid-range RAC brands

Overall MT Channel: 1.5 ton; 3-Star



1.5 ton 5-star RACs' prices stable; Daikin & Samsung remain the most priced among mid-range RAC brands

Overall: 1.5 ton; 5-Star



Please note: 'Overall MT Channel' comprises of Vijay Sales, Croma, Reliance Digital, Amazon and Flipkart

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