

The Furniture Market in India Profile 2009





FURNITURE INDUSTRY

The entry of international brands and changing consumer preference has led to the emergence of furniture retailing in India. The large furniture brands are characterised by huge expanses of dreamy designs, a multitude of hues and steep prices. The size of the Indian furniture retail market is increasing. In fact, CSIL Milano has classified India as one of the 14 large furniture markets in the world. This is in view of the fact that India has a middle class population of over 400million, with a purchasing power on the upswing. However, the furniture industry in India is not without its worries.

The furniture sector makes a marginal contribution of 0.5% to India's GDP. Moreover, even if the production is increasing every year, it is mainly in the un-organised sector. However, all is not bleak for the industry. The office furniture segment boasts of better companies from the point of view of better size as well as technological innovations. This low rank may be explained by relatively high import duties and low technological competency. Also, local tastes play a major part in demand.

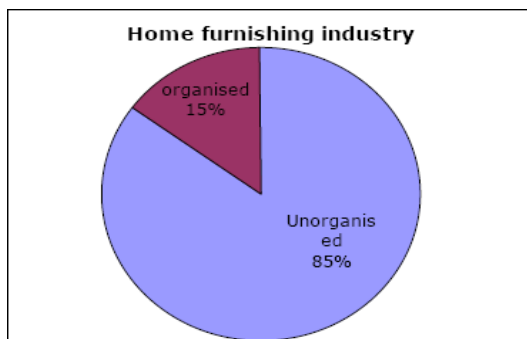
- ❖ The Indian Furniture market is worth about US\$ 8 billion
- ❖ Constitutes 0.5% of the total GDP
- ❖ Employs 300,000 people
- ❖ Highly unorganised – only about 15% in organized sector
- ❖ Organised sector growing at 30% CAGR
 - The Organised Sector includes domestic players as well as imports
 - There are about 5000 firms in the domestic organised sector, and nearly 10500 importers of furniture
 - Products are classified based on material used, and consumer segment
- ❖ Wooden Home furniture is the biggest segment
 - Key states for wood furniture: Gujarat, UP, Punjab, Kerala, Andhra, West Bengal
 - Household furniture designs are region-specific
 - Increasing trend of imported furniture in affluent households
- ❖ Imports worth about US\$ 150 million, growing at 60% CAGR
- ❖ Imports are a rapidly growing segment, catering to urban, affluent households
- ❖ Key countries imported from:
 - Italy
 - Germany
 - Spain
 - Malaysia

Organised Furniture Industry and its growth

The furniture industry including furniture hardware and furniture fittings in India is estimated to be around US\$8 billion and is expected to grow at a rate that is much faster than its current rate of about **25- 30% annually**. The organised segment which comprises of mainly imports and a few Indian manufacturers who are mostly into the office furniture segment accounts for about 15-20% of the total pie.

A major chunk of the organised imported segment (80%) comprises of home furniture. The organized sector has shown a healthy growth of about 13-15% last year and is expected to grow even more rapidly. The growth drivers are the fast paced growth in the construction and hospitality industries and organized retail and businesses and industries in India. Another growth driver is the demanding and discerning young Indian who is no longer satisfied with the old hand-me-down furniture used by his forefathers.

The growth in the organised segment is quite obvious from the fact that some major chains and hypermalls have already started stocking furniture and furniture accessories and have had a good response on that front.



Home Furnishing and Furniture Industry

Like many other segments of retail, small and local retailers again dominate this sector. Nearly, 85% of the home furnishing industry is in the unorganized sector and remaining 15% is in the organised sector and is made up of manufactures and importers catering to the various segment of the industry. Some of the major segments in furniture industry are residential, office, contract and institutional.

There are other segments also based on the application (kitchen, bathroom, bedroom, and others) or on the raw material (wooden, plastic, metal, bamboo, and others).

Demand factors in the Furniture Sector

Real Estate / Housing boom

- Housing and Real Estate construction on a rise gradually after the economic slowdown in late 2008
- Expansion of residential and commercial infrastructure across metros and smaller cities

Tourism / Hospitality industry growth

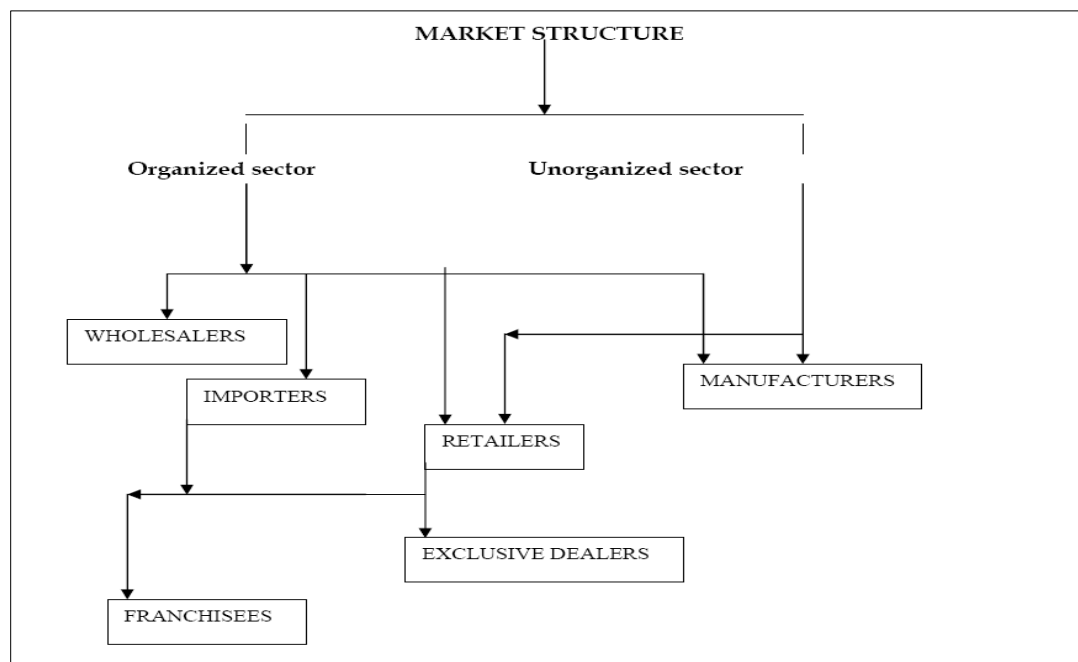
- Increasing tourist inflow
- Demand for hospitality space and infrastructure

Consumer demographics

- Increasing income levels
- Increased consumption of lifestyle products, including furniture

The sector is transitioning from a fragmented industry to a more organized and competitive one.

Market Structure



Major players

Big giants involved in furniture retailing are Pantaloon, Shoppers' Stop, Trent, RPG, Vishal Retail, Reliance and Tata group are

also joining in the the furniture retailing. Others included is Godrej & Boyce Manufacturing Co Ltd, BP Ergo, Featherlite, Haworth, Style Spa, Yantra, Renaissance, Millenium Lifestyles, Durian, Kian, Tangent, Furniture Concepts, Furniturewala, Zuari, Truzo, N R Jasani & Company, V3 Engineers, and PSL Modular Furniture among others.

These players along with some regional players have been advertising through billboards, cinema halls, print and even some television advertisements as in the case of Nilkamal and Godrej among others.



Hyper-malls and chains too have been advertising some of the discounted and special offers on furniture by way of city specific print ads, handouts and billboards.

Import Policy

Imports of furniture were liberalized in April 1998 and importers in India require no license or prior permission to import furniture. However, Importers should have valid IEC (Import Export Code) issued by Directorate General of Foreign Trade.

Customs Clearance

Furniture imports into India have to pass through the procedure of Customs clearance as they cross the Indian border. The goods are examined, appraised, assessed, evaluated and then allowed to be taken out of the charge of the Customs by the importer. The importers need to present Originals of Commercial invoice, packing List, Certificate of Origin, and Bill of Lading.

Duty

Basic Custom Duty (15 per cent) + 2 per cent Education Cess)

Packaging

Packages should comply with Import Policy provisions as laid down in The Policy circular 44 (RE-2000)/1997-2002 DT24th November, 2000. Each unit package should carry the following details:

- (a) Name and address of the importer;
- (b) Common name of the commodity packed;
- (c) Net quantity in terms of standard unit of weights and measures. If the net quantity in the imported package is given in any other unit, its equivalent in terms of standard units shall be declared by the importer;
- (d) Month and year of packing in which the commodity is manufactured or packed or imported.

Outlook

Organised and unorganised retail are likely to reach the size of US\$440 billion by 2010. **Out of a US\$300 billion retail industry, the organised retail segment is less than 5% which works out to be slightly more than US\$16 billion.** Interior designing and costly home furniture is no longer a rich and wealthy family's priority. Even middle class families are looking for luxury and comfortable furniture and showing more interest in decorating their sweet homes. Quite obviously with the growth of the organised retail segment, the retail furniture sector is also going to see a good boom.



Export of Furniture from India to Italy

S.No.	\Year	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1	Values in US\$ Million	7.44	16.49	15.78	19.43	22.1
2	%Growth		121.72	-4.34	23.14	13.75
3	Total export of commodity	109.97	216.57	217.17	286.52	351.51
4	%Growth		96.93	0.28	31.93	22.68
5	%Share of country (1 of 3)	6.76	7.61	7.26	6.78	6.29
6	Total export to country	1,729.40	2,285.99	2,519.04	3,580.10	3,913.45
7	%Growth		32.18	10.19	42.12	9.31
8	%Share of commodity (1 of 6)	0.43	0.72	0.63	0.54	0.56
	Exchange rate: (1US\$ = Rs.)	45.9516	44.9315	44.2735	45.2849	40.241

Import of Furniture from Italy to India

S.No.	\Year	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
1	Values in US\$ Million	4.32	6.24	9.71	14.73	27.99
2	%Growth		44.36	55.55	51.67	90.01
3	Total Import of commodity	58	92.79	152.43	251.71	357.73
4	%Growth		60	64.27	65.13	42.12
5	%Share of country (1 of 3)	7.46	6.73	6.37	5.85	7.82
6	Total Import to country	1,071.03	1,373.10	1,855.63	2,672.35	3,900.11
7	%Growth		28.2	35.14	44.01	45.94
8	%Share of commodity (1 of 6)	0.4	0.45	0.52	0.55	0.72
	Exchange rate: (1US\$ = Rs.)	45.9516	44.9315	44.2735	45.2849	40.241

Source: www.commerce.nic.in