Recessed luminaires segment set to grow at a CAGR of 18% till CY 2020

The luminaires industry in India is currently valued at around ~INR 50bn, and accounts for ~40% of the overall lighting industry. It is expected to grow at a CAGR of 10-13% in the next five years. I believe that in the short term, a shift towards energy efficiency and increased infrastructure development would be high impact factors contributing to growth in the luminaires industry; while increased penetration of green buildings and government initiatives will have an impact in the long term.

Unorganized segment still accounts for 30% of the market share
- Unorganized segment: The unorganized players survive on two major factors - price and quick delivery. The demand for their products peaks mainly during festivals like Durga Puja, Navratri, Ganesh Utsav, Dasera, etc. Quality is not an important factor since they are only required for a short period of time (10-15 days) to illuminate tents, roads and pandals. These unorganized players focus on two to three products, unlike the organized sector which builds an entire product portfolio.
- Organized segment: The market is dominated by organized players such as Phillips, Wipro, Crompton Greaves, Bajaj, Havells, Surya, etc, who account for approximately 70% of the industry. The organized sector would witness a faster growth in the industry since these

Gone are the days of tube-lights and light bulbs protruding from walls and ceilings. Today consumers are looking for not just lighting applications, but also energy efficiency and aesthetics. Besides corporate houses and retail shops, today even residential houses flaunt fancy luminaires.
players offer quality products, and have a brand image, a wide variety of products, & a strong distribution network.

**Break up by organized vs. unorganized in value**

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<thead>
<tr>
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<th>Percentage</th>
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<tbody>
<tr>
<td>Unorganized</td>
<td>30%</td>
</tr>
<tr>
<td>Organized</td>
<td>70%</td>
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*Source: ValueNotes analysis, Trade interviews*

**Indoor segment constitutes 60% of the luminaires market**

Indoor luminaires dominate the market due to its large number of applications in sectors such as retail, government, commercial buildings, hospitality, residential and hospitals. Recessed luminaires is one of the most lucrative segments in the indoor category, mainly driven by offices, retail and commercial applications. An increase in the use of HVACR (heating, ventilation, air conditioning and refrigeration) has led to a reduction in the height of roofs. False ceilings have thus become popular and have led to an increased use of recessed lighting fixtures.

**Product segmentation of recessed luminaires by value**

- **Continuous**: 6%
- **Diffuser**: 19%
- **Louvre**: 27%
- **Downlight**: 48%

*Source: ValueNotes analysis, Trade interviews*

**Break-up by indoor vs. outdoor luminaires in value**

- **Outdoor**: 40%
- **Indoor**: 60%

*Source: ValueNotes analysis, Trade interviews*

**Recessed segment will continue to see the fastest growth**

ValueNotes estimates that the recessed luminaries segment, currently valued at INR 12.2 bn, is the fastest growing segment in the industry. It is expected to grow at a CAGR of ~18% over the next five years. This segment is preferred since they add subtle accent lighting while adding warmth and dimension to the space.

Within the recessed product category, the downlight segment has the highest demand. The recessed continuous segment is fast catching up given its wide usage in airports and commercial offices.

- **Downlight**: Downlight recessed luminaires are mainly used in the retail and hospitality sectors, as these sectors require focused lighting. The share of downlight is expected to increase in the future at a CAGR of ~20%, owing to growth in these two end user industries.
- **Louvre**: Louvre lighting, commonly used in horizontal lighting, helps in reducing the glare. The share of this...
segment is expected to decline gradually as users are shifting from horizontal to vertical space lighting.

- **Diffuser**: Diffuser is a fast growing segment as it adds aesthetic value to the space. Most commercial projects are now opting for diffuser lighting fixtures because they are known for spreading light evenly in horizontal and vertical spaces. According to a CBRE report, India’s top cities are expected to add more than 150 million sq ft of office space by 2017.

- **Recessed continuous**: Recessed continuous lighting, another fast growing segment, is mainly used in commercial offices and airports. The government plans to develop 200 low cost airports in tier 2 and tier 3 cities in the next 20 years.

**Government initiatives**

The Indian government is taking efforts to conserve energy by phasing out inefficient lighting sources and focusing on energy efficient sources. The Energy Conservation Act 2010 has included ECBC code (Energy Conservation Building Code) for commercial buildings, especially IT companies and BPOs which run for 24 hours a day. All new commercial buildings are required to focus on energy conservation. This has led to an increased demand for energy efficient lighting fixtures. Conventional incandescent lights are gradually being phased out and are being replaced by energy efficient luminaires. Manufacturers have also started to focus on manufacturing more energy efficient luminaires.

**Product selection criteria**

According to ValueNotes, energy efficiency and product availability are the two key factors considered by end-users while selecting luminaires. Manufacturers should expand their reach in tier 3 and smaller cities so as to facilitate easy availability of their products.

In commercial segments like retail and hospitality, price is not a key deciding factor. These end-users are more concerned about quality, aesthetic and energy efficiency. As a result, the popularity of foreign brands is increasing in the Indian market, as end-users perceive them to be of superior quality.

**Innovative energy efficient products and a good distribution network will be the key for the future**

With the increase in the number of modern infrastructure and commercial projects, and with a paradigm shift towards energy efficiency, there is going to be a need for specialized luminaires. Most manufacturers in the organized sector have already made a note of this and are investing substantially in designing products which provide energy efficient solutions at reasonable costs. I feel the key differentiating factors for players in this industry are going to be innovative energy efficient products and a good distribution network which will help them tap the fast growing tier 1 and tier 2 markets. This article is based on a ValueNotes industry report titled “Luminaires Industry in India 2015-2020”.

**Priyadi Shah** is a research analyst at ValueNotes, which specializes in management of competitive & market intelligence, information and research. She has worked on a variety of research projects such as market sizing studies, partner selection and database management in industries including telecom, IT, chemicals and cosmetics.

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