

Indian LED lighting market witnessed low demand in 2012

Government projects not materialising in time could be the key factor for this slow demand

By Nitasha Chawla

According to a Frost & Sullivan report, 2013-2017 is set to be the period of rapid growth for LED lighting in India. With the government's increased focus on setting the LED lighting standards, the share of the unorganised market is set to reduce to around 20 per cent in 2018 from the current 50 per cent.

That's the good news, but going by the same report, 2011 and 2012 were not great for the Indian LED lighting market, which grew below the CAGR projected. "The slowing in demand was characterised by delays in tenders influenced by restrained economic conditions," says Deepa Doraiswamy, industry manager, electronics and security, Frost & Sullivan.

According to Vijay Kumar Gupta, managing director, Kwaliti Photonics P Ltd, the growth of the sector in 2012-13 could have been more had some of the government projects for promoting LED lighting started on time. "The LED lighting sector may have witnessed 25 per cent growth in 2012, though it could have been much more, but some of the government projects like the Rajiv Gandhi Grameen Vidyutkiran Yojana (RG-GVY), couldn't materialise on time even though several pilot projects were grounded in last two years," he says.

However, with the predicted sharp drop in LED prices, industry experts believe that the LED lighting market in India will grow at a



faster pace in the coming years. Says Arun Gupta, managing director, NTL Lemnis India Pvt Ltd, "The Indian LED lighting market did Rs 3 billion worth of business in 2010-2011, which reached Rs 10-12 billion in 2012-2013, and it is expected to touch Rs 50 billion in the next five years. LED is the future and we are fast adopting the technology like other countries."

Key factors for growth in 2012-13

Falling prices: A significant trend that was noticed in the LED lighting market last year was a dip in prices, possibly driven by tier I players try-

ing to compete with the effective cost structures of the tier II players. "This could hurt the prospects of tier II players in the future in high volume segments such as residential lighting," says Deepa Doraiswamy.

According to Vijay Kumar Gupta, the prices of LEDs came down globally in 2012-13, mainly due to huge volumes generated by demand in the backlighting industry, which overall, lowered the cost of LEDs. "As a result, the prices of LED lights in India also witnessed a dip of 30-40 per cent in 2012-13," he adds.

For example, LED lamps, which are nearly three times more energy-efficient and last six times longer than

compact fluorescent lamps (CFL), are now selling at as low as Rs 600, down from above Rs 1000 earlier. However, they still cost much more than the CFL lamps available for Rs 80-250. LED luminaire prices now start at Rs 2000.

Growing awareness: The growing awareness about the goodness of LED lights is an important factor adding to its demand. The industry, as well as the government, have been extremely proactive in promoting the LED products. "The steps taken by the government, like reduction of VAT on LED products and the inclusion of LED products in the electronics portfolio, are some of the efforts that are definitely boosting the LED lighting sector. The only hindrance to mass acceptance is the initial investment, which is still quite high compared to other light sources," says Arun Gupta.

The government has launched some pilot projects, two of them being funded by the Bureau of Energy Efficiency (BEE) to promote LED streetlighting in two municipalities—Kolkata in West Bengal and Thane in Maharashtra.

Sectors that generated demand in 2012-13

Last year, as in previous years, the demand for LED lighting came mostly from commercial and retail sectors in India, while residential demand still hasn't picked up.

Shares Vijay Kumar Gupta, "Commercial LED lighting has picked up in a big way in India. As a result, the demand for LED tubelights and downlights has gone up while LED bulbs are not so popular in India, as of now." Commercial lighting requires the use of low and mid-power LEDs, whereas high-power LEDs are mainly used in outdoor applications. According to Vijay Kumar Gupta, last year, his



Arun Gupta, managing director, NTL Lemnis India Pvt Ltd



Deepa Doraiswamy, industry manager, electronics and security, Frost & Sullivan



Gulshan Aghi, CEO, TRILUX Lighting (India) Pvt Ltd



Vijay Kumar Gupta, managing director, Kwality Photonics P Ltd

company introduced 0.2W and 0.5W LEDs (categorised as low and mid-power LEDs) in its product line. Ever since, the company has witnessed a 150 per cent growth in its sales.

Another segment that contributes significantly to the demand is outdoor lighting where the demand mainly comes from the government for streetlights. Says Gulshan Aghi, CEO, TRILUX Lighting (India) Pvt Ltd, "The outdoor segment in particular has seen higher penetration of LEDs due to government support. Last year, too, streetlighting dominated the segment, driving demand."

The residential demand, as of now, is only restricted to high income groups. As Arun Gupta puts it, "The demand in the residential sector did not pick up last year—it was only seen in the metro cities where the high income group opts for LED solutions. Developers of new residential projects have also opted for LED lighting."

Expectations for 2013-14

There is no doubt that this energy efficient lighting source will be the future of lighting. However, the industry in India needs support from the government in order to make that happen.

Shares Vijay Kumar Gupta, "I see local manufacturing getting a boost through the Preferential Market Access (PMA) policy. The LED industry has proposed to the government that in order to bring into India the hitherto non-existent LED packaging industry

(10 billion LED-components required by 2020) the value-add under LED-PMA policy should be set to 70 per cent. In absence of which the country may fail to bring core LED capability in India."

This year, also, it is expected that streetlights will drive the demand. "It has been estimated that the demand for LED street lights and LED lights for railways will constitute 60 per cent of the total demand till 2018. Also, the new projects like real estate infrastructure, IT parks and certified LEED-compliant buildings will push the demand for both LED indoor and outdoor lighting this year."

Arun Gupta feels that the government will soon implement the PMA for the LED sector, which will definitely boost the LED lighting industry. "Street lighting will also become a stronger market this year, and LED bulbs will see a rise in demand with the government's initiatives for LED lighting for the below poverty line (BPL) category," he adds.

It is said that the price for 60W retrofit LED light bulbs may fall to US\$ 10/unit in global markets; in other words, the ex-factory price of this product is likely to fall as low as US\$ 4/unit in 2013, which means consumers in India will also enjoy lower-priced products. The global output of LED light bulbs in 2012 was only around 100 million units, but this figure is expected to reach the 300 to 400 million mark this year. **EE**