

Sector:

Forest, Environment and Herbal

Project Title:

Furniture factory

Project Description:

Across the globe, Indian furniture is known for its exquisite craftsmanship and high aesthetic appeal. Indian furniture market has witnessed heightened demand from the last couple of years, especially in the premium and office furniture segments. Healthy growing economy, rising disposable income coupled with increasing propensity towards high quality life have been identified as key growth drivers of the domestic furniture market.

Presently, Indian furniture industry is highly fragmented and more than 85% is in the unorganized sector, constituted by handicrafts and artisans. Due to small size and use of non-mechanized techniques, the domestic furniture manufacturers have not been able to realize the rising growth opportunities in the domestic and international market.

To assist the development of domestic furniture industry, The Government of Madhya Pradesh (GOMP) proposes to establish a State-of-the-art furniture factory in MP. It would be a modern processing unit that would cater to the production of various grades of furniture especially office and home furniture.

The unit would be set up on 2 acres of land and it would be a mechanized unit equipped with high end cutting, peeling, carving and other process machinery. The unit would have significant downstream processing capabilities in furniture production to facilitate large scale production. It would have adequate all weather warehousing facility for the storage of raw material and finished goods.

The unit would have the following facilities:

- Log house
- Cutting and grading section
- Processing section
- Polishing and finishing section
- Warehouse

The key target market would be:

- Home furniture market
- Office furniture market
- Exports
- Retail outlets like Wal-Mart, which procure goods in bulk

Project Rationale

Furniture industry has significance socio-economic importance since it provides employment to around 0.3 mn people in the Country. Low capital investment, high value addition and labour intensive nature are some of the key characteristics of the sector which at present is largely part of the rural and cottage industry.

Madhya Pradesh is the forest capital of India and forest based industries are key contributor to the State's economy, providing employment to a large part of the State population. In 2004-05 forests and logging contribute 2.1% to the State GDP. To improve the socio economic status of the rural and backward population, it's imperative for the State Government to assist the modernization and development of forest dependent industries such as furniture.

The State already has a well established wood carving industry. MP's wood carvers are famous for their exquisite wood works, especially the painted and lacquered wood products. At present, the furniture industry in MP is highly fragmented and large part is constituted by handicrafts and small size artesian which employs non-mechanized archaic production methods. Small size restricts production capacity to execute large orders and thus makes it difficult to realize economies of scale. A high-end furniture unit such as the envisaged plant would be a key towards the modernization of State's furniture industry. Hence there is a need to develop a large size integrated furniture manufacturing unit to facilitate large scale production.

MP presents an enviable raw material base for furniture industries. The State forests has vast reservoir of various tree species used for the production of furniture grade wood. The forests are especially rich in high grade Teak and Sal wood which is used for the manufacturing of premium furniture.

There are three key forest formations in the State, namely Teak Forest, Sal Forest and Miscellaneous Forests. The total growing stock (volume of timber/wood) in MP is around 50 mn cu. m with an estimated worth of USD 55.5 bn. Presently the State is a key supplier of the wooden logs. Following are the key tree species occurring in MP's forests.

Key Tree Species	
Teak (<i>Tectona grandis</i>)	Salai (<i>Boswellia serrata</i>)
Sal (<i>Shorea robusta</i>)	Saja (<i>Terminalia</i>)
Bija (<i>Pterocarpus marsupium</i>)	Haldu (<i>Adina cordifolia</i>)
Khair (<i>Acacia catechu</i>)	Lendia (<i>Lagerstroemia parviflora</i>)
Tinsa (<i>Ougeinia Ogeinensis</i>)	

Thus, MP has all the essential ingredients to support a thriving furniture industry.

Market Potential and Demand Dynamics

Riding over high internal demand, Indian furniture industry is growing at an exponential rate. At present the Indian furniture market is estimated around USD 7.8 bn. while total furniture production in the Country is estimated around USD 1.7 bn.

The organized segment constitutes only 15% of the total industry and is estimated around USD 1.2 bn. From the past couple of years the organized sector has been growing at a consistent rate of 15 – 20%. According to a World Bank study, the organized furniture industry is expected to grow at a rate of 20% annually and India, Russia & Brazil would be the key countries that would witness the boom in the furniture market.

With a share of 17% of the global import market in 2004-05, Indian is the world's largest importer of furniture. Italy, Germany, Spain, China, Korea, Malaysia, Indonesia, Philippines and Japan are the key import destinations for the Indian furniture market.

The most popular form of furniture in the Country include office furniture, bedroom furniture, upholstered, kitchen & garden furniture and contract furniture in wood, metal, plastic, cane and bamboo. Popular items of exports are mainly a large variety of cabinets and cupboards, ethnic settees, beds, partitions, chairs, table and other decorative articles.

The wooden furniture segment mainly comprise of artesian firms while the metal and plastic furniture for offices and other professional use is provided by organized sector. The organized sector has around 5,000 companies out of which 8% are engaged in the production of wooden furniture, 10% metal furniture and rest 82% are engaged in manufacturing accessories and furnishing items in plastics. The office furniture segment is more advanced in terms of size and technological innovations and a large percentage of its production is exported.

The sector has significant potential for earning foreign exchange since Indian furniture has high demand in the foreign countries especially United States (US), European countries, Russia and UAE. Further, Japan, Sri Lanka and Myanmar are also emerging as potential export destinations for Indian furniture companies.

Why Madhya Pradesh?

- Large reserve of Woodstock.
- Ample availability of furniture grade wood.
- Large base of skilled craftsmen.

- Already well established woodwork industry.
- Availability of economic land.
- Ample availability of cost competitive labour.
- Strategic central location facilitates economic logistic functions.
- Well developed connectivity with key commercial centers and ports.

Location Analysis

Chhatarpur have been identified as potential location for envisaged plant.



Proposed Capacity

The unit would have a manufacturing capacity of 1000 furniture pieces per month.

Proposed Investment

The total capital investment is estimated around USD 0.11 mn or INR 50 lakhs.

Returns

The estimated Internal Rate of return from the project is in the range of 20-22%.

Coordinating Agency

Madhya Pradesh Forest Department