

India Market Primer

2021



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2021

India Market Primer

India is increasingly becoming a growing market for future Toy Industry growth. India has been going through changes in consumer trends and the knowledge and value for toys have increased positively. The market shows great potential for growth and manufacturing of toys in the upcoming years.



Opportunities

India's toy industry is **well-positioned for future growth**, with **favorable demographics** and **changing consumer trends**. Several key factors provide opportunities for foreign investors to play key roles in realizing the potential of the Indian Toy Industry:

1. Favorable Demographics
2. Vocal for Local
3. Consumer Trends
4. Education & Learning
5. Favorable Labor Market

Doing business In and With India

As with any other country, doing business in India comes with its own unique investment environment risks and requirements:

Directorate General of Foreign Trade (DGFT) Orders:

The amendment mandates that pending a successful test report, Toys cannot be sold in India and that if the standards are not met, Toys must be sent back or destroyed by the importer.

Toys (Quality Order) 2020:

The Safety of Toys has been brought under compulsory Bureau of Indian Standards (BIS) certification with effect from 01/01/2021. The QCO mandates compliance with the latest version of Toy safety standards in India and regulates Toys and materials for use in play by children under the age of 14.

Foreign Manufacturers Certification Scheme:

The Foreign Manufacturers Certification Scheme (FMCS) is a scheme under which a BIS license is granted to a foreign manufacturer in accordance with the BIS Act, 2016 and Bureau on Indian Standards (Conformity Assessment) Regulations, 2018.

Recommendations

Included are recommendations for foreign companies looking to invest in India's toy industry.

Key Actors

The Market Primer includes a glossary of the key Regulators of the Indian Toy Industry as well as a brief explanation of what they do.

ATPA leverages its local networks and connections, to enable and support companies entering India – we provide strategic support and on-the-ground help to identify trustworthy partners and help companies grow. Please contact us at info@atpa.asia for more info and to discuss further.

Toy Sector Overview

- A sizeable consumer base and **aspirational middle-class** make the domestic Indian market a promising opportunity for the Toy industry. Valued at **1.75 billion USD as of 2019**, the industry is projected to grow at a compound annual growth rate (CAGR) of **12% to 2.16 billion USD by 2025**. These projections rely on an expected increase in market confidence and demand, supported by increases in purchasing powers, household income levels, and expansive population demographics.
- India is home to **25% of the world's children** aged between 0 and 12, according to the World Bank's 2019 data. The most recent Indian census in 2011 reported that of its 1.35 billion population, 45% were under 19 years of age. The domestic Toy demand is expected to grow at **12% CAGR between 2020 and 2025**, while the global average is projected at only 5%, according to the Sports Goods Export Promotion Council (SGEPC). Despite this tremendous demand potential, **India makes up only 1.5% of the global Toy market**. Domestically, the organized Toy industry has an estimated value of only 300-500 million USD, 12-13% of which Toys is comprised of homegrown Toys. The unorganized sector constitutes 90% of the market, while around 4,000 micro, small and medium enterprises (MSMEs) make up the remaining 10%. Imported Toys comprise around 80% of the market.
- With consumer conscientiousness growing alongside urbanization and improvements in standards of living, increased scrutiny is placed on the quality and safety of consumer goods. Toys are no exception. Toys and consumers are more and more likely to place a premium on quality assurance, preferring organized retail chains and imported Toys when making purchasing decisions. These increasingly common purchasing patterns are expected to increase demand for internationally certified Toys in the future.



Toy Sector Overview

- At present, much of the domestic Toy industry is run by small-scale or cottage manufacturing units, with an estimated 4000 stock-keeping units (SKUs) comprising of the micro (75%), small and medium (22%), and large (3%) units. The Modi Government has taken active steps to promote the domestic Toy industry; identifying it as one of 24 major focus sectors under the Atmanirbhar initiative and the Department for Promotion of Industry and Internal Trade (DPIIT) announcing a National Action Plan for Toys. In addition to this, several states have established or are establishing Toy manufacturing clusters to promote the development of domestic manufacturing. These clusters facilitate access to **raw material, shipping ports, adequate testing, and scalable facilities.**
- With a national focus on self-reliance and acknowledgment of the importance of Toys in the overall education and development of children, it is India's vision to become an important global player in the Toy industry by building up its production capacity to meet the domestic and global demand.

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Key Opportunities and Growth Prospects

India's toy industry is **well-positioned for future growth**, with **favorable demographics** and **changing consumer trends**. Several key factors provide opportunities for foreign investors to play key roles in realizing the potential of the Indian Toy Industry:

1) Favourable Demographics

The target audience for most companies in the industry is between the age of 0-14 years. 25% of the world's children (0-12 years) reside in India and the country's expansive population demographics coupled with a burgeoning middle-class present enormous growth opportunities.

2) Vocal for Local

With the Prime Minister highlighting the crucial role of the Toy industry in India's vocal for local mission, there exists ample Government support to stimulate manufacturing capacity and consumer demand.

3) Consumer Trends

Changing consumer trends are also shaping new opportunities for expansion. The impact of globalization and increased consumer awareness has created a preference for internationally certified and quality-controlled products.

4) Education & Learning

The NEP 2020 has brought with it a paradigm shift in the Indian education sector. Toys have been acknowledged as an important source of a child's development. This new wave of education reforms is expected to create an increased demand for innovative and technologically integrated educational Toys for children.

5) Favorable Labour Market

India has an economically active population with a skilled labour surplus. Domestic cost of production is considerably lower, compared to other Asian countries, creating incentives for local production.

Doing Business In and With India

1) The Indian Business Environment

India Recognizes the Value for Toys

- Toys play an essential role in developing motor and cognitive skills in childhood. Moreover, during the trying times of the COVID-19 pandemic, Toys have become even more important to educate and engage children, enabling them to thrive through play. Recognizing the importance of Toys as a key pedagogical tool, the New Education Policy (NEP) 2020 emphasizes the value of play and learning through play, in part by including Toys in its new curriculum. The policy places special emphasis on Toy-making through local crafts as a part of the academic curriculum.
- Prime Minister Shri Narendra Modi has also expressed his interest to make Toys available for all children, highlighting their importance in all Anganwadi Centres and Schools as a part of children's holistic development in his Mann Ki Baat address. This position reflects the growing popularity of built-for-purpose Educational Toys. Modi has also emphasized the importance of sufficient domestic capacity to embed India firmly in the global Toy market.

Domestic Toy Industry

- Traditional Toy-making practices in India incorporate a variety of materials including wood and wood pulp, polymers and rubbers, fibers, and metal. Major Toy manufacturing hubs are currently located at Channapatna in Karnataka, Chitrakoot in Uttar Pradesh, Kondapalli in Andhra Pradesh, and Budni-Rewa in Madhya Pradesh. The Indian artisans are hard at work, keeping the traditional methods and craft alive.
- 15-20% of the Indian market is served by domestic Toy production, some examples include:
 - Tabletop games
 - Educational Toys and activity kits
 - Plastic dolls and blocks
 - Plush and Soft Toys
 - Metal and Mechanical Toys
 - Wooden blocks and figurines
- Currently, Funskool is the largest Toy manufacturer in India followed by Mattel, Hasbro, Bandai, and LeapFrog. The LEGO Group is also one of the biggest suppliers of Toys to India. The remainder of the domestic Toy industry is highly fragmented, with just 3% of the 4,000-odd manufacturers being large-scale players, according to SGEPC. There are also around 400,000 to 500,000 artisans making Toys part of the cottage industry.

Doing Business In and With India

ATPA Member Spotlight - Universal Toys Pvt Ltd



Supporting the idea of MAKE IN INDIA, Universal Toys Pvt Ltd, A plush Toy Manufacturing entity was incorporated in 2020.in Hyderabad, India. It carries the passion of creating world-class Plush products in India and making India a manufacturing hub.

Universal Toys has in a very short time established a state of an art setup spread across 50000 sqft with a full production capacity of 1,00,0000 units per month The facility has all the latest world-class equipment and technology to provide the best of the quality across the globe. The company has a host of domestic and International Quality, Security & Social compliance which includes SA8000, SEDEX SMETA, CTPAT, BIS, GMP, ISO 9001, ISO 14001.

Specialized in developing private labels, Company in a short time has prestigious clients like Amazon, Miniso, Melcom, XIMI, Beccos, Mr. DIY, First Cry, and more.

The unit houses in-house services from Designing, embroidery, stitching, filling, packing & warehousing all under one roof. They are proud members of ATPA. Exploring plush manufacturing in India, they are definitely the ones to reach out to.

www.universaltoys.in Kaushik Tanna – GM Business Development.
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Doing Business In and With India

1) The Indian Business Environment

- Steps are also being taken to ensure that Toys sold in India meet quality standards. Various policy and regulatory amendments are underway to ensure best-in-class quality standards. Concerted efforts are being made to build Toys that are inspired by and aligned with Indian values, in the hope that this will increase local manufacturing, boost exports and promote Indian culture.
- India is home to various Toy manufacturing clusters and there is enormous potential for the industry to develop highly efficient interconnected production chains.

2) Recent Regulatory Amendments

The Amendments covered:

1. Directorate General of Foreign (DGFT) Orders
2. Total (Quality Control), (TQCO), 2020
3. Foreign Manufacturers Certification Scheme

Directorate General of Foreign Trade (DGFT) Orders

- In December 2019, the Foreign Trade Policy was amended by DGFT Notification No 33/2015-2020 dated 02.12.2019 whereby random Toy samples could be sent for testing to a National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited lab to ensure conformity to the relevant acceptable Indian consumer standards.
- The amendment mandates that pending a successful test report, Toys cannot be sold in India and that if the standards are not met, Toys must be sent back or destroyed by the importer. This procedure is highly unpredictable and makes planning very difficult for manufacturers. Importers have faced delays for up to eight weeks while awaiting the completion of these procedures. This process has led to a significant rise in compliance costs and serious delays in reaching the market.
- India did clarify at a World Trade Organisation Technical Barriers to Trade Committee meeting that this procedure would be fully replaced with the Toys (Quality Control) Order.

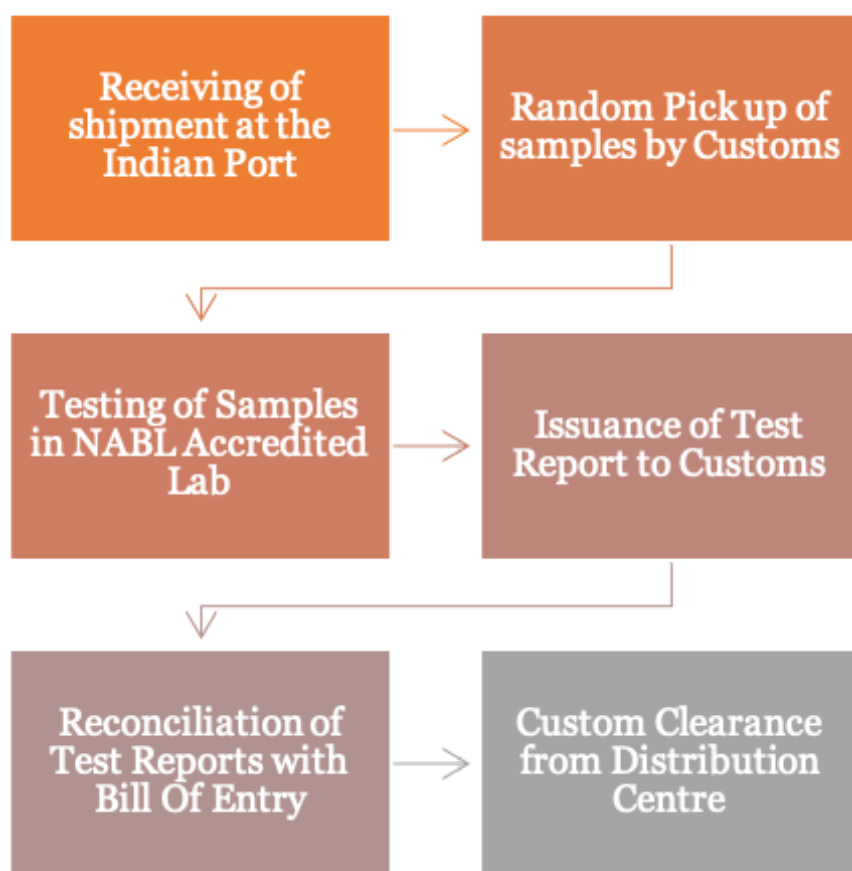
Doing Business In and With India

2) Recent Regulatory Amendments

Toys (Quality Control) Order, (TQCO) 2020

- The Safety of Toys has been brought under compulsory Bureau of Indian Standards (BIS) certification with effect from 01/01/2021. Pursuant to the Toys (Quality Control) Order (QCO), BIS has initiated the process of granting licenses to manufacturers of Toys for use of BIS Standard Mark as per Scheme I of Schedule II of the BIS (Conformity Assessment) Regulations, 2018.

A typical import clearance process: (QCO)



- The QCO mandates compliance with the latest version of Toy safety standards in India and regulates Toys and materials for use in play by children under the age of 14.
- As per the Toys' order, the BIS is the certification and enforcement authority for all Toys exported from, imported to, and manufactured in India. As per the applicable provisions of the BIS Act 2016 (Section 16), the Act prohibits the manufacture, importation, distribution, sale, hire, lease, storage, or exhibition for sale of Toys that do not conform to the QCO from the implementation date onwards.
- The Order as published indicates IS 9873 (Part 1):2018 for 'Mechanical and Physical Properties' and IS 15644:2006 for 'Electric Toy Safety'. According to the BIS, the latest version of these standards is:
 - IS 9873 (Part 1): 2019
 - IS 15644:2006, reaffirmed 2016

Doing Business In and With India

2) Recent Regulatory Amendments

Toys (Quality Control) Order, (TQCO) 2020

- The latest version of IS, including its amendments, as notified by the Bureau from time to time, will apply from the implementation date. Highlights of the list of Indian Standards for Toy safety in the Order are summarised in the following table:

Goods/Articles: Toys	
Indian Standard (IS)	Title of Indian Standard
IS 9873 (Part 1): 2018	Safety Aspects Related to Mechanical and Physical Properties
IS 9873 (Part 2): 2017	Flammability
IS 9873 (Part 3): 2017	Migration of certain elements
IS 9873 (Part 4): 2017	Swings, Slides and similar activity Toys for Indoor and outdoor family domestic use
IS 9873 (Part 7): 2017	Requirement and test methods for finger paints
IS 9873 (Part 9): 2017	Certain phthalates esters in Toys and children's products
IS 15644: 2006	Safety of electronic Toys

- However, the Toys (Quality Control) Second Amendment Order, 2020, dated December 11, 2020, exempts handicrafts and Geographical Indication (GI) products from the quality control order for Toys. The goods that are manufactured and sold by artisans who are registered with the development commissioner (Handicrafts) are exempted from use of Standard Mark under license from the Bureau of Indian Standards, as per Scheme 1 of Schedule-II of BIS (Conformity Assessment) Regulations, 2018. This has been done to give impetus to Toy production at medium, small, and micro-units in the country. Additionally, according to Amendment Order 2020, products that are registered as GI are also exempted from following Indian Toy Standards & compulsory use of Standard Mark license from Bureau as per Scheme 1 of Schedule-II of BIS(CA) Regulations, 2018.

Doing Business In and With India

2) Recent Regulatory Amendments

◦ Foreign Manufacturers Certification Scheme

- The Foreign Manufacturers Certification Scheme (FMCS) is a scheme under which a BIS license is granted to a foreign manufacturer in accordance with the BIS Act, 2016 and Bureau on Indian Standards (Conformity Assessment) Regulations, 2018.
- The license is granted for the products which conform to relevant Indian Standards. Manufacturers who produce goods outside India can apply under the FMCS. These manufacturers must:
 1. Ensure conformity of their product(s) to applicable Indian Standard Specifications (ISS).
 2. Have all manufacturing types of machinery/facilities at their factory premises.
 3. Have all arrangements/equipment in their factory premises for testing of the product(s) as per applicable ISS.
 4. Have competent testing personnel in their lab to test the product(s) as per applicable ISS.
 5. Accept the Scheme of Testing & Inspection (SIT) and Marking Fee.
 6. Accept the Terms & Conditions of license.

The application process is as follows:

Fill-up the prescribed Application Form along with necessary documentation.

Nominate an Authorized Indian Representative (AIR) using prescribed Nomination Form.

Ensure that application is complete, basis the checklist of documents.

Submit duly filled-in and complete application along with requisite fees; documentation (in duplicate) and Nomination Form of AIR at FMCD, BIS Headquarters, New Delhi.

- A process flow chart, nomination of authorized person, quality assurance system details, details of pre-certification for components or raw materials, lists of manufacturing machinery and test equipment along with other documents must be submitted while applying for the certification. An exhaustive list of such documents, along with an application checklist are listed under Annexures to this document.
- The license is initially granted for not less than one year and up to two years. This can be further renewed for up to five years. An average of six months is taken for grant of license from the date of recording of receipt of the complete application. The licensee must declare production and dispatch details of standard marked goods to the BIS on a monthly or quarterly basis. A licensee can also request for inclusion of new varieties in the existing license.

Challenges

Supply-side challenges

1) Increased import duty on Toys

The Indian Government has increased the import duty by 200% as a part of the 2020 budget by imposing a duty rate of 60% on Toy imports. This has made imports and even manufacturing in India nonviable as many parts must be imported for the final production.

2) Technical barriers

Lengthy and costly customs clearance procedures lead to significant delays to access markets and, consequently, price increases.

3) Limited Product knowledge

Understanding of the products and their manufacturing requirements is still in its infancy in India. The development of technical skills is slow, and the availability of skilled labor is low.

4) Lack of policy providing incentives

There is a lack of clear incentives specific to the Toy industry and a strong trade network to base manufacturing in India, this is particularly true of products intended for distribution throughout the rest of the Asia-Pacific.

5) Raw Material Constraints

There are only a handful of plastic raw material manufacturers of High-Density Polythene (HDPE), Low-Density Polythene (LDPE), Polypropylene (PP). Prices are on average are 25% higher than in other markets such as China. Paper manufacturers in India do not manufacture higher quality paper products (i.e., Blue core paper) required for a certain card and board games in international markets. These materials are thus imported from other countries like China.

Challenges

Demand-side challenges

Demand is still low compared to other markets globally; consumers are price-sensitive, and the understanding of the value of play and Toys is very low in India. Stimulating domestic demand is imperative for the development of local supply chains and the manufacturing capacity required to compete globally.

QCO compliance related interim challenges

Supply and demand challenges aside, there are interim challenges of policy uncertainty, such as pendency of applications with BIS, which need to be addressed urgently in order to ensure the availability of global quality Toys for Indian consumers.

There are alternative solutions in the form of virtual audits/ self-certification mechanisms or issuance of provisional certificates of conformity for the interim period, which can help in addressing the policy bottleneck. Such alternative policy interventions need to be implemented immediately as there is a sudden shortage of Toys in the market and local retailers already now have little to no inventory to sell due to the resulting supply chain gaps. As a result, consumers are experiencing issues in sourcing quality Toys for the festive season.

As per industry estimates, the total value of stock in the Indian market in April 2019 was 202.5 million USD at retail value, compared to only 67.5 to 81 million USD in April 2021. Resulting from this stock depletion, Toy companies are facing a decline in sales to the tune of 50% to 80%, compared with FY19-20 figures. The figures are expected to be even more pronounced, an approximately 70-80% drop, when we compare the projected sales during peak time Diwali period of October-November 2021 with that of FY19-20 month-to-month figures. It is important to note that the Toy sector currently employs close to ~300,000 people across the entire value chain, including small retail traders and MSMEs, who are facing loss of livelihood and permanent job losses due to such inventory shortages.

Since the implementation of QCO from 01/01/2021, and at the time of publishing of this Primer, a very little number of foreign manufacturers have obtained their licence. Businesses and Toy companies with overseas manufacturing facilities are facing heavy losses of revenue of approximately \$81,000 to \$162,000 USD per day.

Challenges

Demand-side challenges

To meet the demand-supply gap, the menace of the parallel grey market of cheap or counterfeit products is also on the rise, nurtured by the growing e-commerce market. This results not only in immense revenue losses for the Government but also proliferation of poor quality products in the market, outside the control of the authorities. Thus, while the intent of the regulations with respect to quality control orders is appreciated, if alternate solutions are not acted upon immediately, the supply chain of locally engaged distributors, retailers, manufacturers could destabilise, adversely impacting the interests and development of young consumers.

It is of the utmost importance now that high quality manufacturers can bring products into market and guarantee access to safe and high-quality Toys for Indian children, improving Toy sector's global competitiveness and building the roadmap to ensure business continuity for all stakeholders in the value chain.

Recommendations

For a foreign company looking to invest in India's toy sector, there are various recommendations to help you out:

- **Short to medium term**
 - Virtual factory audit / third-party audits
- **Medium to long term recommendations**

Short to medium term:

- **Virtual factory audit / third-party audits**

Given the pendency of applications with BIS due to the requirement for physical audits, it is recommended that virtual factory audits or differentiated conformity assessment procedures or third-party audits should be considered as an interim solution until physical audits can commence. This is particularly important because, without the SKUs manufactured outside India, local retailers will have little to no inventory to sell through 2021 and into 2022. This will significantly impact their businesses and the stability of the entire value chain. It is also worth noting that Toys manufactured abroad are essential to meet the local demand while the local manufacturing ecosystem and output develop over the next few years. From ease of doing business perspective, it is also important that the regulatory landscape is easy for overseas manufacturers to navigate.

Recommendations

Medium to long term recommendations

To further stimulate the growth of the industry in India, and provide a conducive environment for investment and manufacturing, some recommendations include:

- Lowering the custom duty on Toys from 60% currently to the Pre Budget 2020 rate of 20%.
- Simplifying customs clearance procedures.
- Facilitating further integration of India in the global supply chain.
- Ensuring necessary investment and intellectual property protections in legislation and initiatives.
- Freeing up skilled labor to meet manufacturing demands.
- Establishing Special Economic Zone (SEZs) and Toy Clusters.
- Increasing the export incentive for local Toy manufacturers, Toys at a governmental level, to improve the global competitiveness of Indian-produced Toys.
- Reviewing Government investment-related policies and incentive packages for all parts of Toy industry supply chains.
- State Governments providing land at concessional rates Toys to incentivize mass-scale Toy production.
- Introducing production-linked incentive schemes for Toy manufacturing through capital subsidies, based on the quantum of investments and sales.
- Promoting greater flexibility for companies to locate or relocate parts of their supply chains in India with complementary Government policies.
- Toys Organising awareness programs to increase demand for quality products and for measures that ensure every child's 'right to play'.
- Modifying GST rates to incentivize domestic manufacturing of tools.
- Aligning safety standards with international standards to create a level playing field between foreign and domestic manufacturers while continuing to engage with the industry in the development of regulations related to product safety and quality.
- Creating a manufacturing eco-system to increase the availability of raw materials.
- Creating an ease-of-doing-business environment to attract investments in the country, including policies that attract investment and protect intellectual property.

Government Incentives

Government Incentives – National and State Level

- In-House Research and Development Units Recognition and Registration Scheme
- Remission of Duties and Taxes on Exported Products (RoDTEP)
- Export Promotion Capital Goods (EPCG) Scheme
- Custom Bonded Warehouse Scheme
- Increase in Basic Customs Duty (BCD) for Electronic Toys

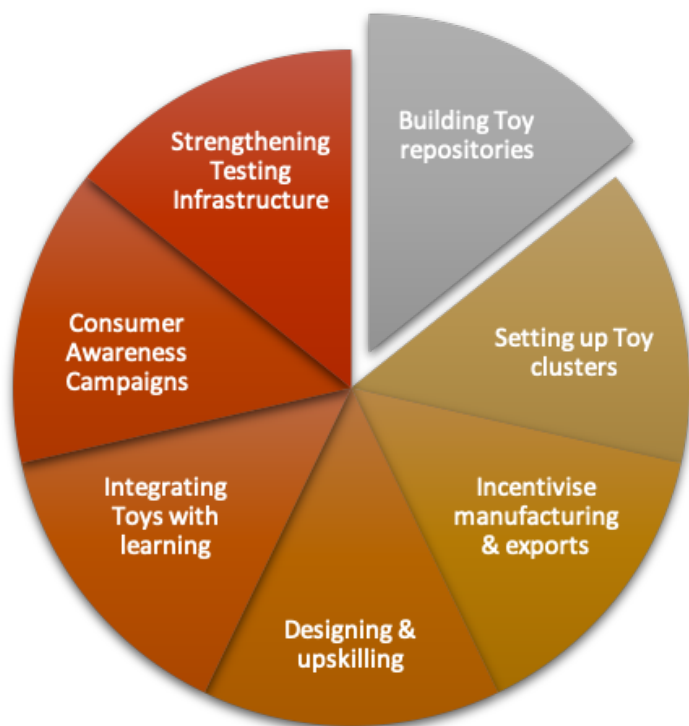
Government Incentives – National and State Level

The Toy industry has been the beneficiary of ample support from the Modi Government, with emphasis placed on increasing India's global market share and encouraging domestic production. To encourage overseas businesses to manufacture in India, the Government has made concerted efforts to promote business-to-business connections, formation of manufacturing clusters, highlighting the potential of India as a global Toy hub. Certain regions are readily developing as Toy manufacturing clusters – Channapatna in Ramnagaram (Karnataka), Kondapalli in Krishna (Andhra Pradesh), Thanjavur in Tamil Nadu, Dhubri in Assam, Varanasi in Uttar Pradesh, among others. Some of the incentives offered to the Toy industry are detailed below:

- **In-House Research and Development Units Recognition and Registration Scheme:** This scheme is being implemented by the Department of Scientific and Industrial Research (DSIR) to grant recognition and registration to in-house research and development (R&D) units established within the Toy industry. There is a number of financial incentives and other support measures which aim to promote overall R&D, in the particular industrial use of locally available R&D units.
- **Remission of Duties and Taxes on Exported Products (RoDTEP):** The RoDTEP scheme incentivizes exporters by providing rebates for duties and taxes levied by all levels of government.
- **Export Promotion Capital Goods (EPCG) Scheme:** The EPCG Scheme permits the import of capital goods at zero customs duty, at all stages of production.
- **Custom Bonded Warehouse Scheme:** This scheme permits the import of raw materials and capital goods without duties for manufacturing and other operations in a bonded manufacturing facility. When the raw material or capital goods are imported their import duty is deferred. The deferred duty is waived off only if the imported inputs are being utilized for exports. The import duty on raw material is to be paid only if finished goods are given clearance for the domestic market. Similarly, if the capital goods are cleared to the domestic market then import duty has to be paid.
- **Increase in Basic Customs Duty (BCD) for Electronic Toys** (under HSN 9503) from 5% to 15% to encourage domestic manufacturing in the 2021 budget.

In addition to this, State Governments have also announced various incentives including capital subsidies, stamp duty exemptions, interest subsidies, tax reimbursements, electrical duty exemptions, among others, to incentivize business and encourage local manufacturing of Toys.

National Action Plan for Toys



The National Action Plan 2020 was introduced by the Department for Promotion of Industry and Internal Trade in consultation and close coordination with several ministries such as MSME, Education, I&B, and others to promote the Toy manufacturing industry including traditional crafts and handmade Toys. The 17-point National Action Plan underlines the potential of the Toy industry, with detailed proposed interventions to promote manufacturing in tandem with 13 identified handicrafts Toy clusters.

The Government has highlighted the initiatives as listed in the next figure as part of the national action plan, 'Team Up for Toys'.

A National Toy Fair has also been organized as part of this action plan. Further, Toys and games are being promoted as a crucial part of the learning process in line with the New Education Policy of India.

Toy clusters

Many Toy manufacturing hubs are coming up in India that offer financial incentives, efficient logistical networks, integrated capabilities, and flexibility in employment contracts that account for the seasonality of the Toy industry.

- **Toy Manufacturing Ecosystem, Koppal, Karnataka**

A state-of-the-art Toy manufacturing cluster is being developed in the Koppal district of Karnataka. The cluster is being developed as a special economic zone (SEZ) over a 400-acre campus, in partnership with Aequs Infra. It is being designed to provide a built-to-suit, self-sustained ecosystem with provision for water, power, and internal roads. Common facilities include security, customs, and waste disposal facilities. The cluster is expected to attract over 50 billion USD in investment and generate 40,000 jobs in five years. The cluster is expected to serve the domestic tariff area (DTA) and export markets for the domestic market. The primary focus will be on the production of soft Toys, plastic and electronic Toys. The Government has announced several incentives for business such as capital investment subsidies of 30% on fixed assets, power tariff subsidies of 3 cents (US) per unit for five years, interest subsidies on term loans, employment contribution reimbursements for employee status insurance (ESI) and employees provident funds (EPFs) and wage subsidies.

National Action Plan for Toys

• Toy Manufacturing Ecosystem, Koppal, Karnataka

Infrastructure support and incentives for businesses at Koppal Toy Manufacturing Cluster

Infrastructure Ecosystem

1.Manufacturing Plant Infrastructure

- Ready-to-use manufacturing plants
- Build-to-suit facilities
- Standard Factory Facilities
- Hybrid Facility
- Incubation Manufacturing & Office spaces
- Shared Office Spaces
- Turnkey Services-concept to commission
- Plant Engineering Services
- Architectural Services
- Manpower Sourcing and Deputation

Government Support

- Capital Investment Subsidy of 30% on Fixed Assets.
- 100% reimbursement of stamp duty, registration charges and land conversion Fee.
- 5% interest subsidy on term loan (subject to maximum of INR 7.5 crore per annum on Term Loan for 5 years)
- Power tariff subsidy of INR 2 per unit for five years.
- 100% electricity duty exemption or reimbursement for five years.
- Employer contribution (ESI & EPF) reimbursement at 75% for five years capped at 20% of VFA.
- Wage subsidy of INR 1500 per month for five years (for direct employment and continuous service of at least 6 months)

Support services

- Legal, company Secretariat and SEZ Commissionerate.
- Human Resource & Industrial Relationship
- Finance & Accounting Services
- Health, Safety and Environment
- Customs and Logistics Services
- Waste Management
- Manpower Supply and Deputation
- Incentive and Subsidy Management
- Buddy Services – Concept to commissioning of plant

2.Social Infrastructure

- Hospitality
- Healthcare
- Education
- Citizen Services
- Housing Facilities
- Transportation
- Recreational Facility

(i) Toy Manufacturing Hub, Yamuna Expressway, Uttar Pradesh:

The Uttar Pradesh Government, alongside Toy manufacturing hubs in Jhansi and Chitrakoot, plans to establish a Toy manufacturing hub near the Yamuna expressway under the “One District One Product” scheme. The cluster is being developed by the Yamuna expressway industrial development authority, which had invited applications for the allotment of plots in the cluster.

Eligible entities for the allotment include:

- Individuals (for plots up to 4000 square meters);
- Proprietorship firms;
- Registered partnership firms;
- Limited liability partnership firms;
- Registered trusts and registered societies;
- Private limited companies;
- Public limited companies and public sector undertakings;
- Government agencies, undertakings or departments.

National Action Plan for Toys

(i) Toy Manufacturing Hub, Yamuna Expressway, Uttar Pradesh:

Consortiums of any kind and proposed companies or partnerships are barred from applying. A copy of a project report is required at the time of application for the allotment. Interested applicants must be registered under GST and the Start-up category should be registered under DPIIT.

The Toy manufacturing hub is being developed over a 100-acre campus with 100 plots. Toy manufacturers from any category of Toy products can apply for allotment of plot. The cluster is expected to attract 400 million USD worth of investment and create about 25,000 jobs. The Government is currently in the process of drafting a dedicated Toy policy.

Industrial Investment and Employment Promotion Policy 2017

- Capital interest and infrastructure interest subsidies at 5% each
- Stamp duty exemptions of up to 100%
- Net SGST reimbursements of up to 90%
- Electricity duty exemptions of up to 100%
- EPF reimbursements of up to 50%

ToysMeerut and Noida are the modern Toy manufacturing clusters in the State, while Agra, Azamgarh, Lucknow, and Varanasi are traditional Toy manufacturing hubs.

(ii) Toy Manufacturing Clusters, Gujarat

The Gujarat Government has proposed five locations for potential Toy manufacturing clusters. Morbi which has been a clock manufacturing hub is now being developed as a Toy parts manufacturing hub. The state provides a plug-and-play infrastructure of over 33,000 hectares. Industrial land availabilities across SIRs, SEZs, and GIDC estates for investors, cohesive manufacturing and exports destinations as well as a proactive and stable Government committed to ease-of-doing-business policies make the area an attractive destination for investments. The Gujarat Government has invited global Toy manufacturers from the United States, Europe, Canada, and Japan to establish locations in the state.

The Export-Import Association of West Bengal has approached the State Government for land to set up a Toy manufacturing park. Maharashtra, which makes for 32.6% of the total Toy exports from the country, has also announced the establishment of clusters in Khalapur, Shahapur, Nashik, Malegaon, and Solapur.

In addition to these clusters, the central Government recently announced eight Toy manufacturing clusters at a cost of 300 million USD to supplement traditional Toy manufacturers in India. Of the eight clusters, two are in Rajasthan with one in Uttar Pradesh, one in Tamil Nadu, one in Karnataka, and three in Madhya Pradesh. These clusters are being developed by the department for the promotion of industry and internal trade and the Ministry of Micro, Small, and Medium Enterprises under the Scheme of Fund for Regeneration of Traditional Industries (Sfuri).

National Action Plan for Toys

(ii) Toy Manufacturing Clusters, Gujarat

The Government intends to set up a total of 35 Toy manufacturing clusters under the scheme. These clusters will focus on manufacturing Toys with wood, lac, palm leaves, bamboo and textiles. The clusters being developed under the Sfurti scheme provide incentives such as capacity building and skill development. They have provisions for common facilities such as rehousing facilities and marketing, as well as the capacity to provide e-commerce assistance to local industries. The Government has approved a total of 73 clusters under the scheme.

(iii) The Indian Toy Fair – 2021

The Government of India organized the first virtual Toy fair to give voice to the values of “**Atmanirbhar Bharat**” and “**vocal for local**”, which have helped promote domestic industries. The aim of the fair was to make learning joyful across different age groups by leveraging the potential of Toys in education.

The fair was meant to provide a common platform to different stakeholders to accelerate the growth of the Indian Toy industry, increasing competitiveness in global markets. It brought Toy manufacturers, policymakers, industry experts, distributors, investors, artisans, MSMEs, children, teachers, and parents together to discuss and chart out a path to make the country a global hub for manufacturing and sourcing of Toys. The Government expected to attract investments, promote exports and initiate discussions on Toy design, innovation, packaging, technology as well as marketing by organizing a national level fair.

The fair saw participation from **over 1,000 exhibitors** which included businesses committed to creating happy childhoods and educating children through play as well as the National Council of Educational Research and Training (NCERT), State Council of Educational Research and Training (SCERTs), Central Board of Secondary Education (CBSE), IIT-Gandhinagar, National Institute of Design, and Children University in Ahmedabad. Expert panel discussions and webinars were held on various topics including Toy-based learning; the virtual tours, product launches, craft demonstrations were some of the key attractions of the fair.

The Toy fair is expected to stimulate activity in the Toy industry by bringing national and international stakeholders together to encourage sustainable initiatives and further dialogue on the future of the sector. It brings to the forefront the vastness and richness of the Indian Toy industry to the world. It showcases an industry that has the potential to become a key contributing sector to the GDP, but has until now largely remained in the shadows. The fair is expected to play a crucial role in improving productivity and output, accelerating technological advancements, encouraging international exports and attracting investments from a variety of sources.

National Action Plan for Toys

(iii) The Indian Toy Fair – 2021

In addition, the Government of India has taken several initiatives to promote a healthy environment for the growth of the manufacturing sector in the country. Some of the notable initiatives and developments are:

State-Level Policies:

Various states have their own industrial policies to attract investments in the sector.

The main objectives of the Industrial Policy of the Government are:

- (i) to maintain a sustained growth in productivity;
- (ii) to enhance gainful employment;
- (iii) to achieve optimal utilization of human resources;
- (iv) to attain international competitiveness; and
- (v) to transform India into a major partner and player in the global arena.

The table below provides links to the industrial policies of Indian states:

STATE	NAME OF POLICY
Uttar Pradesh	<u>Industrial Investment and Employment Promotion Policy.</u>
Karnataka	<u>Karnataka Industrial Policy.</u>
Maharashtra	<u>Maharashtra Industrial Policy.</u>
Haryana	<u>Industrial Investment & Business Promotion Policy.</u> <u>Haryana MSME Policy.</u>
Tamil Nadu	<u>Tamil Nadu Industrial Policy.</u>
Rajasthan	<u>Rajasthan Industrial Development Policy.</u>
Gujarat	<u>Gujarat Industrial Policy.</u>

Key Regulators



सत्यमेव जयते
Department of Industrial Policy and Promotion
Ministry of Commerce and Industry
Government of India

A. Department for Promotion of Industry and Internal Trade (DPIIT)

The Department for Promotion of Industry and Internal Trade is a central Government department under the Ministry of Commerce and Industry. It is mainly responsible for boosting internal trade by increasing manufacturing capacity and research capabilities. The role of DPIIT is to promote and accelerate industrial development in the country by facilitating investment in new and upcoming technology, foreign direct investment and support balanced development of industries.

As India does not have a separate parent Ministry for regulating Toys, DPIIT is the nodal Government department that is responsible for bringing in investments in this sector along with mandating quality standards.

B. Bureau of Indian Standards

Bureau of Indian Standards (BIS) is the National Standard Body of India established under the BIS Act 2016 for the harmonious development of the activities of standardization, marking, and quality certification of goods and for ancillary matters. The main objective of BIS is to provide safe and non-hazardous goods to the public by methods of standardization, certification, and testing while promoting exports and substituting imports.



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C. Department of Consumer Affairs, Ministry of Consumer Affairs

Department of Consumer Affairs is one of the two Departments under the Ministry of Consumer Affairs, Food & Public Distribution. It is responsible for the protection and welfare of consumers in India.

The Consumer Protection Act (CPA) 2019 has the primary objective of promoting, protecting, and enforcing the rights of consumers. This robust Act has tightened the existing rules to further safeguard consumer rights while bringing in a central regulator, strict penalties for misleading advertisements, and the like.

Key Regulators

D. Department of Legal Metrology, Ministry of Consumer Affairs

The Department of Legal Metrology regulates the packaging and labeling requirements for a pre-packaged commodity and therefore is another important regulator for the Toy industry. The objective is to ensure that consumers are aware of the labeling and disclosures made by a manufacturer by prescribing certain mandatory requirements for a product label. It deals with critical regulations including The Legal Metrology Act, 2009 and Legal Metrology (Packaged Commodities) Rules, 2011.



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Industry Associations - Toy Sector



**Federation of Indian Chambers
of Commerce and Industry**

A. Federation of Indian Chambers of Commerce and Industry (FICCI)

The Federation of Indian Chambers of Commerce and Industry (FICCI) is one of the oldest associations of business organizations in India. It includes various public and private organisations, MSME's as well as Multi-National Corporations. The Toy Sector Committee of FICCI looks into the developments and challenges of the Indian Toy industry. FICCI's Toy Sector Committee works towards improving learning outcomes with play and robust early childhood development learning systems

B. The All-India Toys Manufacturing Association

The All-India Toys Manufacturing Association (TAITMA) is the apex body for Toy manufacturers across the nation.

The production units of the Toy industry, mainly in the small-scale sector, ranging from very small units right up to modern factories. These units are spread in all parts of the country, coming under the Ministry of MSME.

TAITMA is responsible for the representation of Indian Toy manufacturing and ensuring that the industry is progressing in a systematic and scientific manner as it has great potential to compete in the international market and create large-scale employment opportunities on the domestic front.



Key Regulators



C. All India Toys & Baby Products Association (AITBA)

The All India Toys & Baby Products Association (AITBA) is the apex body for the Toys & baby products industry in India. It comprises wholesalers, retailers, manufacturers, distributors, importers, school suppliers, educationists, child physicians, educationists, and regional Toy associations from across India.

AITBA is responsible for facilitating the development and growth of the Toy & Baby Products Industry in India. It engages with regulatory and statutory bodies to ensure a level playing field, encourage adoption of Toy standards, influence policy through active engagement with all stakeholders, and provide a platform for networking and consensus-building.

D. Retailers Association of India

The Retailers Association of India (RAI) is a not-for-profit organization that works to create an enabling environment for the growth of the modern retail industry in India with active support from all stakeholders. It is a lead trade association that represents retailers from chain store retailers and independent emerging retailers to department stores that are engaged in selling a wide variety of products all over the country. It encourages, develops, facilitates, and supports retailers to modernize and adopt best practices that will delight customers. It facilitates employment generation, promotes competitiveness, enhances consumer choice, and promotes and sustains investments in the Industry throughout the country.



E. Consumer Unity & Trust Society

The Consumer Unity & Trust Society (CUTS) is a non-profit, non-governmental organization that works on public interest issues to promote consumer confidence India Toy Market Primer 29.09.21_AF[1] Through evidence-based advocacy and capacity building approach. CUTS is currently at the cutting edge of consumer movement in India to enable consumers, especially those who are marginalized, to access their right to basic services, good governance, and sustainable development by mobilizing a robust consumer movement. It has become a leading voice in the global south on rule-based trade, effective regulation and good governance.

F. Asia Toy and Play Association

The Asia Toy and Play Association (ATPA) is a non-profit that provides a platform for dialogue between various stakeholders in the Toy industry. The aim is to promote a Toy industry that provides safe and valuable Toys to children everywhere and to promote every child's right to access safe Toys and learn through play.

