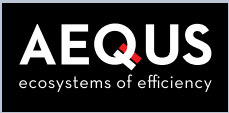


India | Sept 2021



Making Headway : Toy Manufacturing Sector in India



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Preface

India was self-sufficient in toy manufacturing till 1980. Only around 10% of the toys until were imported from countries such as USA, UK, Germany, France, Italy and Japan. Indian toys were manufactured using materials like wood, polymer, cloth, fiber, wood pulp, rubber and metal.

Opening of economy in 1990s resulted in entry of toys manufactured outside India, mainly from China, Hong Kong, Taiwan, Netherlands and Sri Lanka. In 2020-21, 71.1% of India's toy imports was met by China, followed by Netherland, Hong Kong and Taiwan.

The government of India is urging startups and entrepreneurs to develop "toys and games, for India and of India" to meet the growing domestic demand, to minimize imports and to increase India's share in global toy exports.

The government is making efforts to boost the toy industry, like raising import duties, issuing Bureau of Indian Standards (BIS) for import of toys and financial incentives & subsidies for domestic toy manufacturers. Many State governments have already started inviting global toy manufacturers to set up manufacturing units in their respective states.

This report aims to help toy manufacturers, investors and real estate developers to gauge the growth potential of toy manufacturing sector in India. It will also help stakeholders associated with the industry to take informed decisions on investments in this emerging sector.



Global Toy Manufacturing Sector

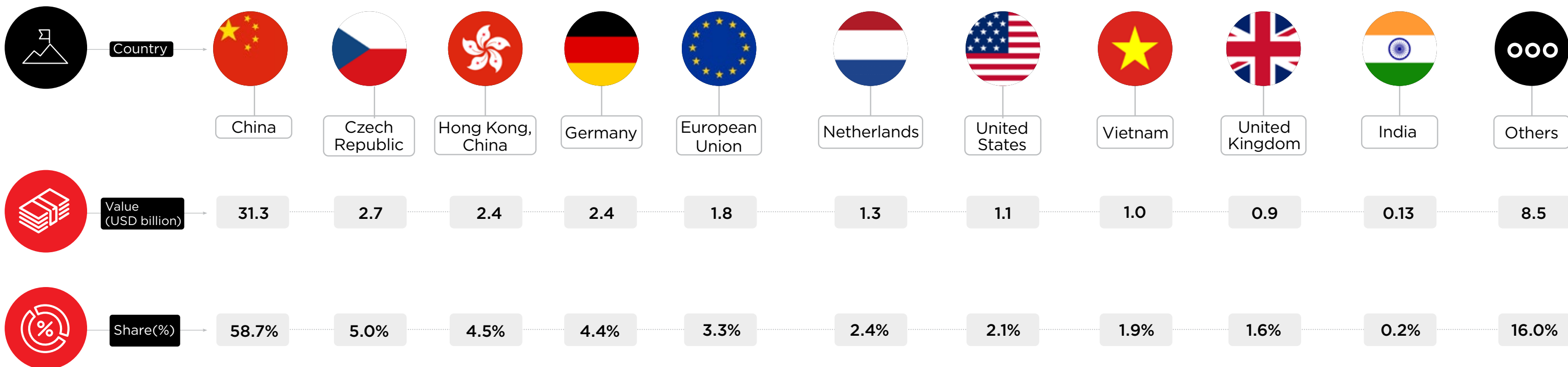
The Global toys market size was valued at USD 92.2 bn in 2019, and is expected to reach USD 103.8 bn by 2027, registering a CAGR of 2.5% from 2021 to 2027 according to Allied Market Research¹. In 2019, the sports and outdoor toys segment led in terms of market share and is

expected to retain its dominance going forward.

World toys exports (HS-9503) accounted for USD 53.4 bn in 2019, according to data released by the World Bank. China is the major exporter of toys with USD 31.3 bn of

exports accounting for 58.7% in the global market. Other major exporters of toys include Czech Republic, Hong Kong, Germany, and European Union.

Toys (HS-9503) Exports by Country in 2019



Source World Bank, 2019

<https://www.alliedmarketresearch.com/press-release/toys-market.html>

Indian Toy Manufacturing Sector

Present Scenario

Indian toy manufacturing sector is witnessing robust growth. The domestic toys market was estimated at USD 1.23 bn in 2020. The market is expected to grow at a CAGR of 12.2% between 2021 and 2026 according to the market research company IMARC². At present, the market is fragmented with over 4,000 toy manufacturing units located in states such as

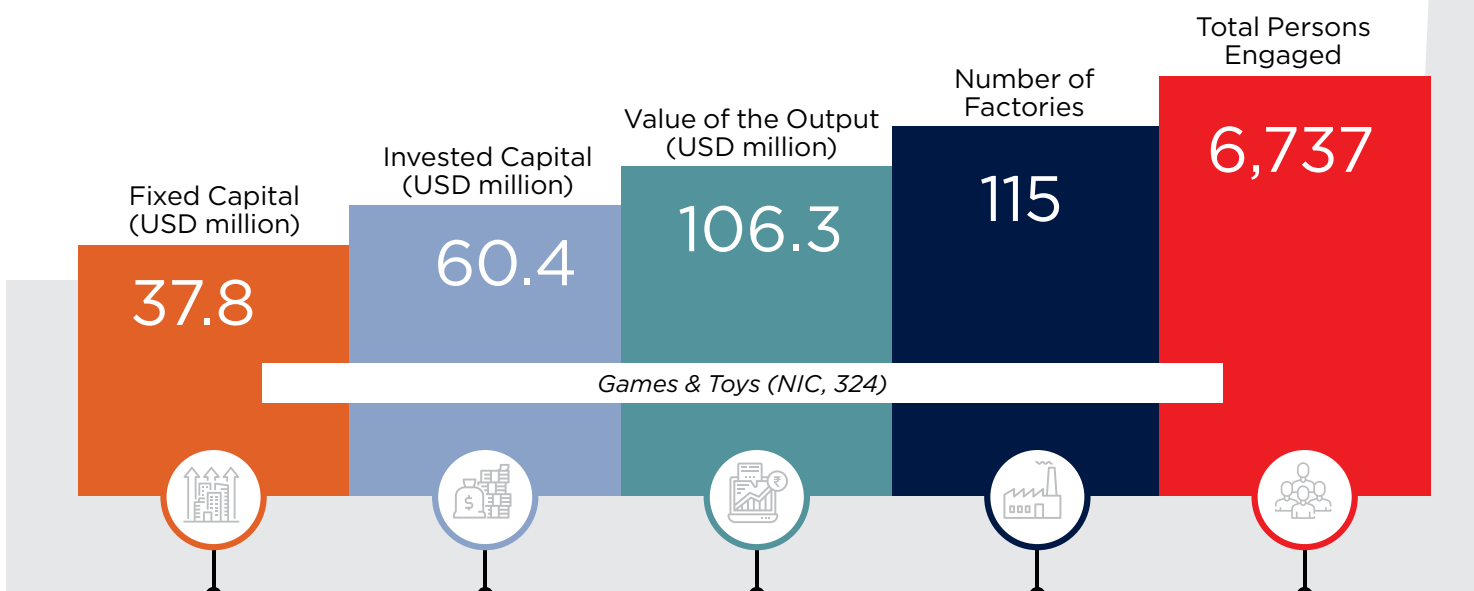
Karnataka, Tamil Nadu, Maharashtra and Uttar Pradesh. The organised sector accounts for only 10%.

Specialty stores represent the largest distribution channel for toys in India followed by supermarkets and hypermarkets, online and others.

The growing demand for toys in India is driven by large base of

young population, rising disposable income, changing spending patterns and shift from traditional toys to innovative intelligent electronic toys. Educational toys are believed to improve creativity and contribute in the development of the brain of the child.

Overview of Indian Toy Manufacturing: Registered Factory Sector (NIC 2008-Code 324) as of 2017-18



Source Ministry of Statistics & Programme Implementation, Government of India

Note 1. As per NIC 2008 classification, manufacture of Games & Toys has been put under a separate code '324'
2. USD to INR Conversion @ 68.408 for 2017-18

<https://www.imarcgroup.com/indian-toys-market>

Product Segmentation

Action Figures

1 Playsets with accessories and role play (non-costume)



Arts & Crafts

2 Chalk, crayons, markers paints and pencils



Battling Toys

3 Playsets and accessories



Building & Construction

4 Building sets and accessories



Collectible Trading Cards & Toys

5 Collectible trading cards and collectible trading toys & accessories



Costume & Dress-Up

6 Costume and dress-up accessories



Dolls

7 Display dolls, dollhouses, fashion & styling dolls, play sets, mini figurines & playsets, nurturing dolls and accessories



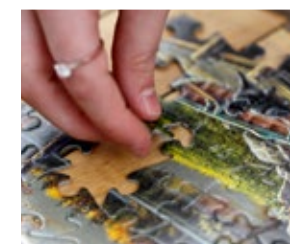
Educational

8 Electronic learning systems, infant electronic learning, pre-school electronic learning and maps, globes, etc.



Games & Puzzles

9 Brainteasers, basic cards and electronic handheld / tabletop games



Infant Toys

10 Bath, electronic learning, jumpers & walkers & play gyms, mats, nest and other infant toys



Major Categories | Sub-Categories

Export & Import Statistics of India

Reduced Import Dependency

Toys are mainly categorised as 9503 and 9504 groups under the 'Harmonized System Nomenclature' developed by World Customs Organization for trade purposes. At present, more than half of the

domestic toys demand in India is met by imports which includes toys, games & sports requisites, parts and accessories. The country recorded import of USD 562.2 mn worth of toys in 2019-20. It is

reduced by 27.5% from 2019-2020 levels to USD 407.3 mn in 2020-21. The fall in imports in 2020-21 was attributed to the impact of COVID-19.

Toy (HS-9503 & HS-9504) Exports and Imports of India



Source Ministry of Commerce, Government of India

Export Import Product Category

Note	
HS-9503 categories	Tricycles, scooters, pedal cars and similar wheeled toys, dolls, carriages dolls, other toys, reduced size "scale" recreational models, working or not, puzzles of all kinds.
HS-9504 categories	Video game consoles and machines, articles for funfair, table or parlor games, printables, billiards, special tables for casino games and automatic bowling alley equipment.

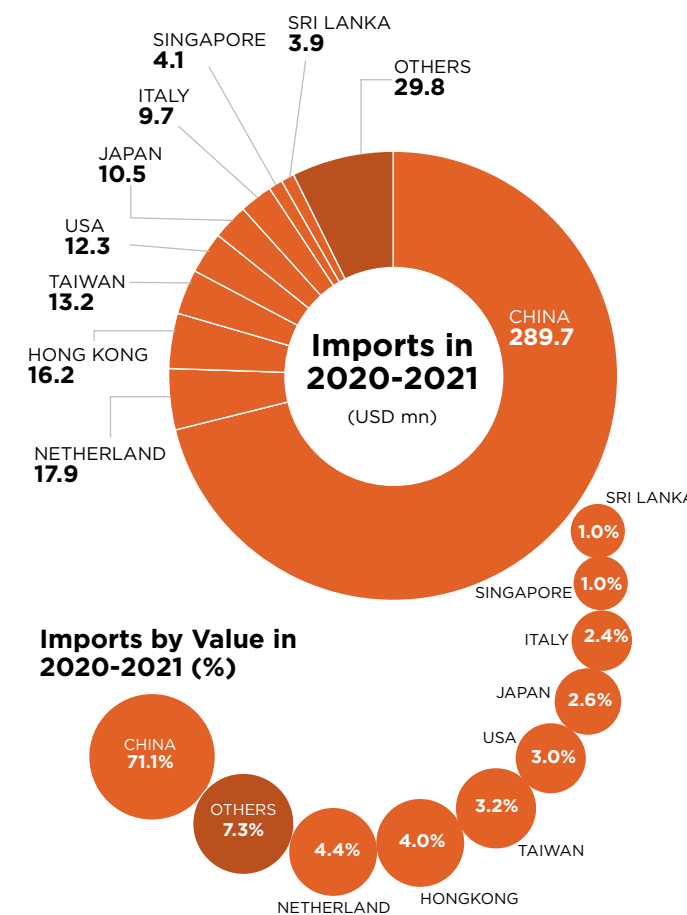
Toy Exports and Imports-India

(includes toys, games & sports requisites, parts and accessories)



Toy Imports to India

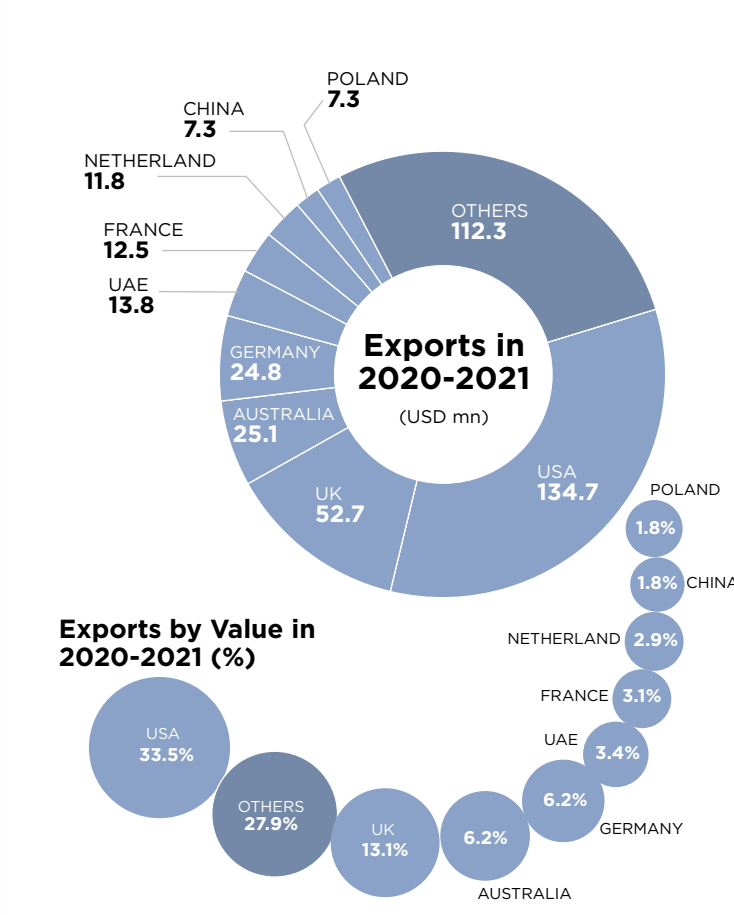
(includes toys, games & sports requisites, parts and accessories)-2020-21



Source Ministry of Commerce, Government of India

Toy Exports from India

(includes toys, games & sports requisites, parts and accessories)-2020-21



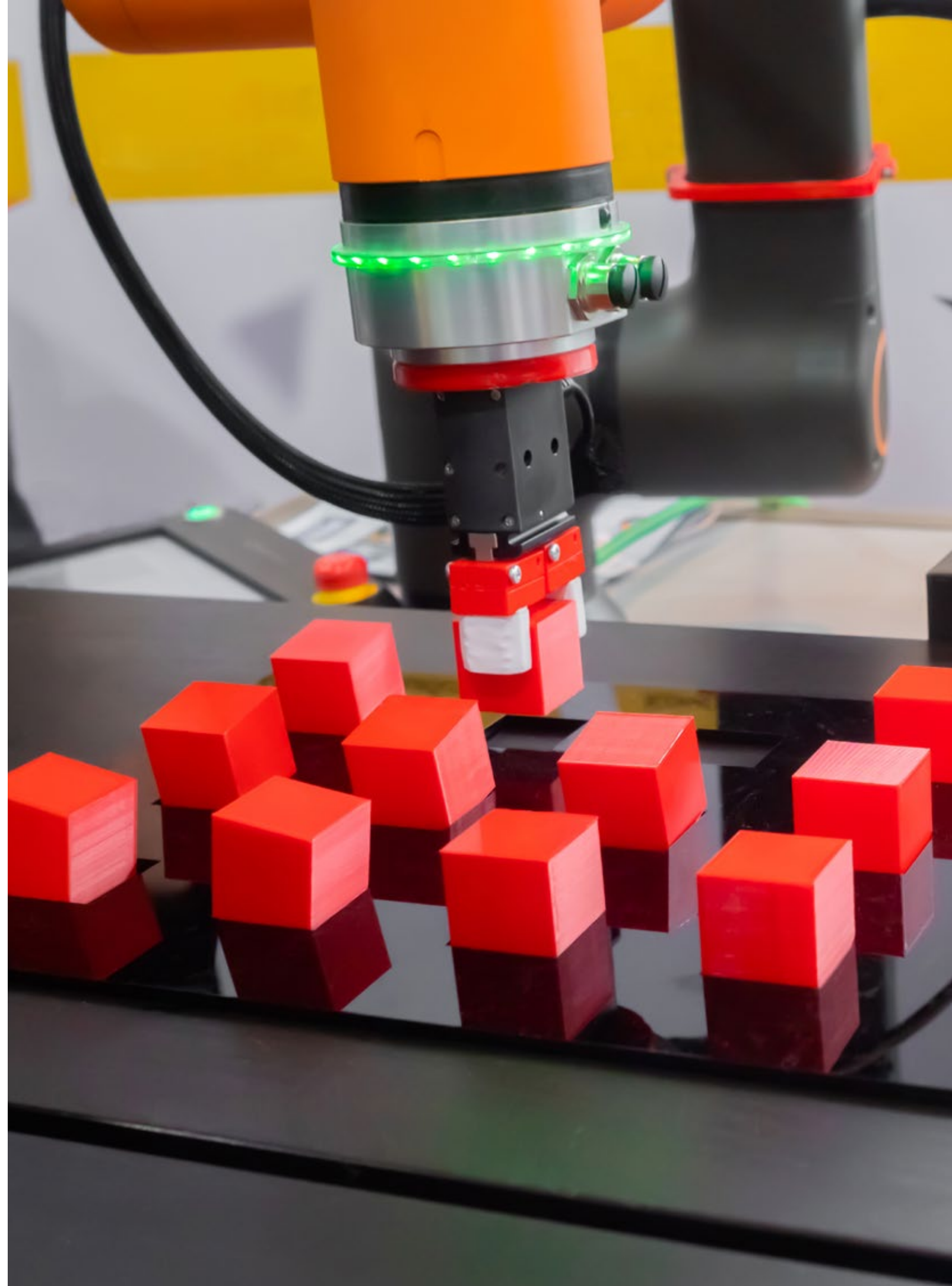
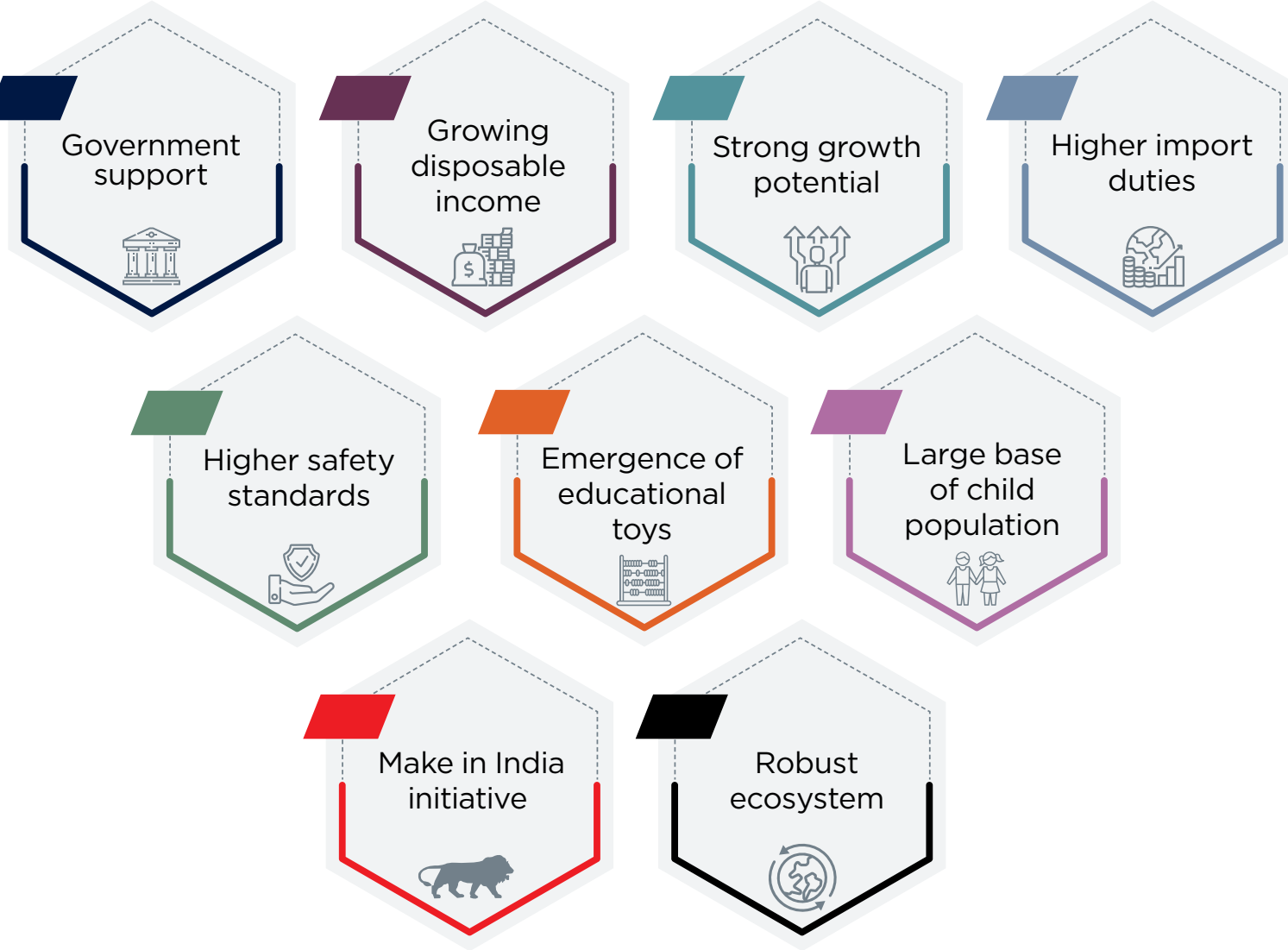
Source Ministry of Commerce, Government of India

China is the world leader in toy exports. In 2020-21, 71.1% of India's toy imports was met by China, followed by Netherlands (4.4%) and Hong Kong (4.0%). Taiwan and USA accounted for 3.2% and 3.0% of

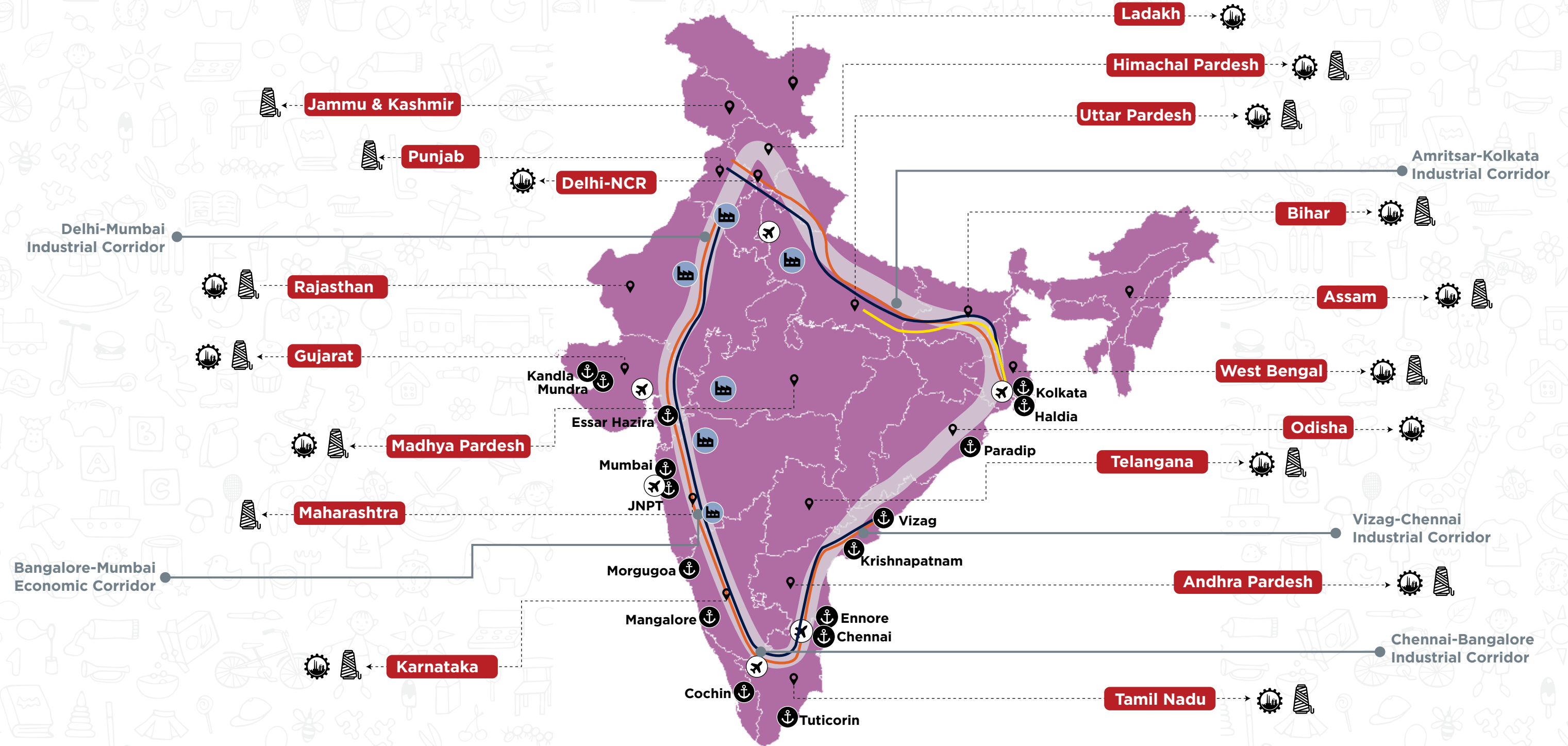
toys imports respectively during the same period. The export value of toys, games and sports equipment from India during 2020-21 amounted to around USD 402.4 mn. The major countries

acquiring a great share in exports are USA (33.5%), UK (13.1%), Australia (6.2%), Germany (6.2%) and the UAE (3.4%).

Factors Pushing the Toy Sector in India



Enabling Infrastructure for Toy manufacturing



Major Ports
 International Airports
 Dedicated Freight Corridors
 Plastic Plants
 Textile Parks

Industrial Corridors
 National Investments and Manufacturing Zones
 Influence regions of Proposed Industrial Corridors in India
 Kolkata to UP WaterWay

Major Toy Manufacturers in India



Government Initiatives & Support

The government is promoting toy exports at district level. The Ministry of Commerce through the Director General of Foreign Trade (DGFT) is engaging with state governments to implement the initiative in all districts of the country in a phased manner. Many state governments are already inviting global toy manufacturers to set up manufacturing units in their respective states.

Recently, Karnataka government sanctioned 400 acres of SEZ land in Koppal to set up country's first toy manufacturing cluster. Similarly, Uttar Pradesh government has allocated 100 acre land for toy manufacturing hub in Greater Noida.

The government of India is urging startups and entrepreneurs to develop "toys and games, for India and of India" to meet the growing domestic demand, to minimize imports and to increase India's share in global toy exports.

Government of India Initiatives

- 01 Call to startups
- 02 Mandatory quality certification
- 03 Phased Manufacturing Programme (PMP)
- 04 Programmes boosting the toy sector
- 05 Pumping investments into the sector
- 06 Educating consumers
- 07 Inducing the value of traditional toys
- 08 Involving various sectors to uphold the toy story

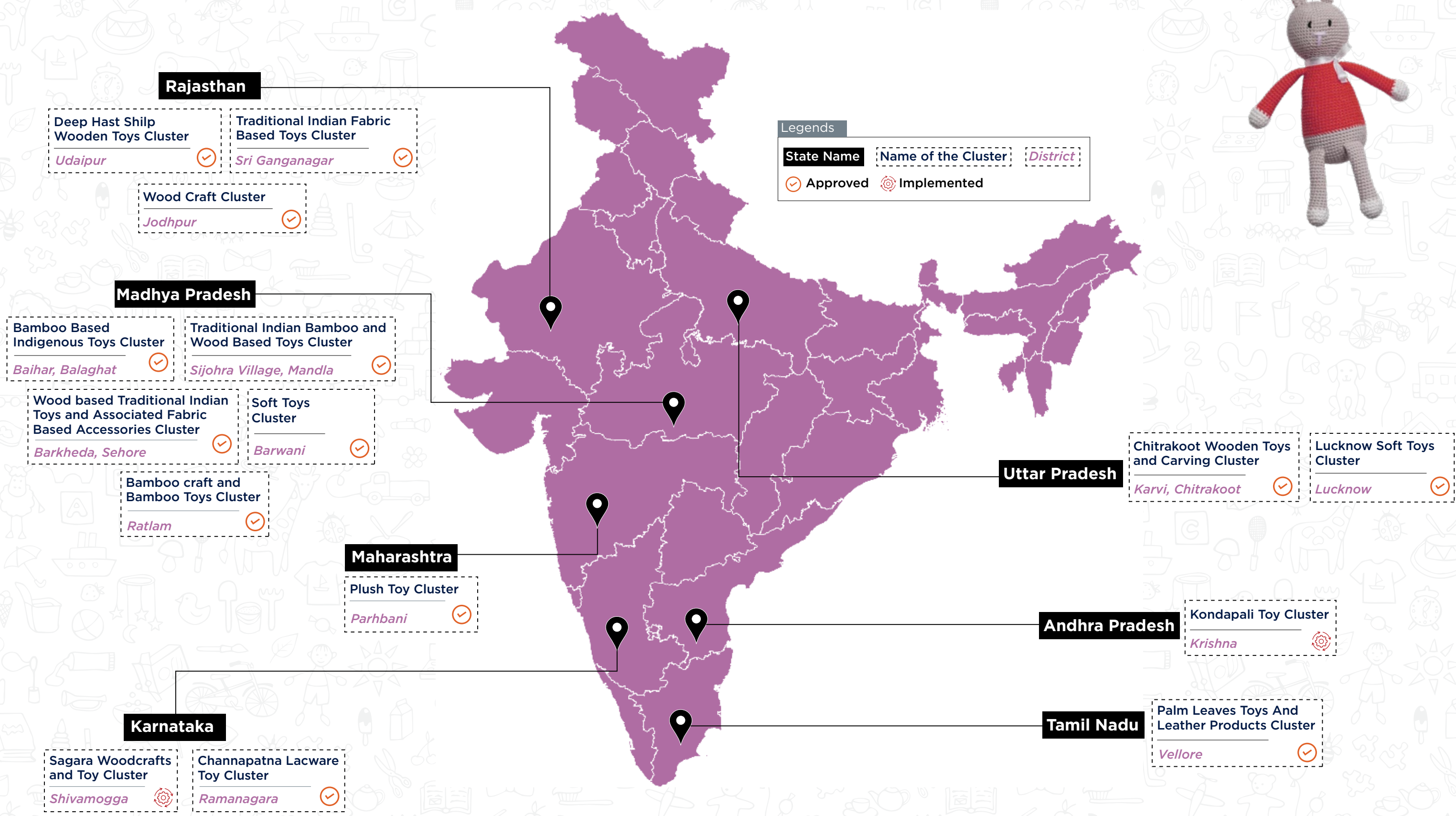
1. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

Objectives:

- To organise the traditional industries and artisans into clusters to make them competitive and provide support for their long-term sustainability, employment, and enhance marketability of products of such clusters.
- To equip traditional artisans of associated clusters with improved skills.
- To make provisions for common facilities & improved tools and equipments for artisans.
- To strengthen cluster governance systems with active participation of stakeholders.
- To build up innovative and traditional skills, improved technologies, advanced processes, market intelligence and new models of public-private partnerships to gradually replicate similar models of cluster-based regenerated traditional industries.

Source Ministry of Micro, Small & Medium Enterprises, Government of India

Toy Clusters Implemented and Approved Under SFURTI Scheme

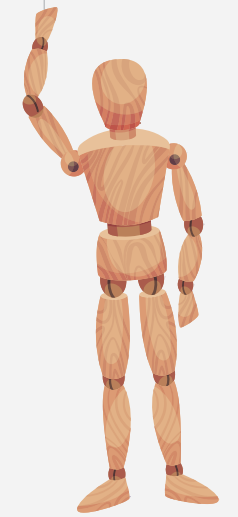


2. National Toy Action Plan

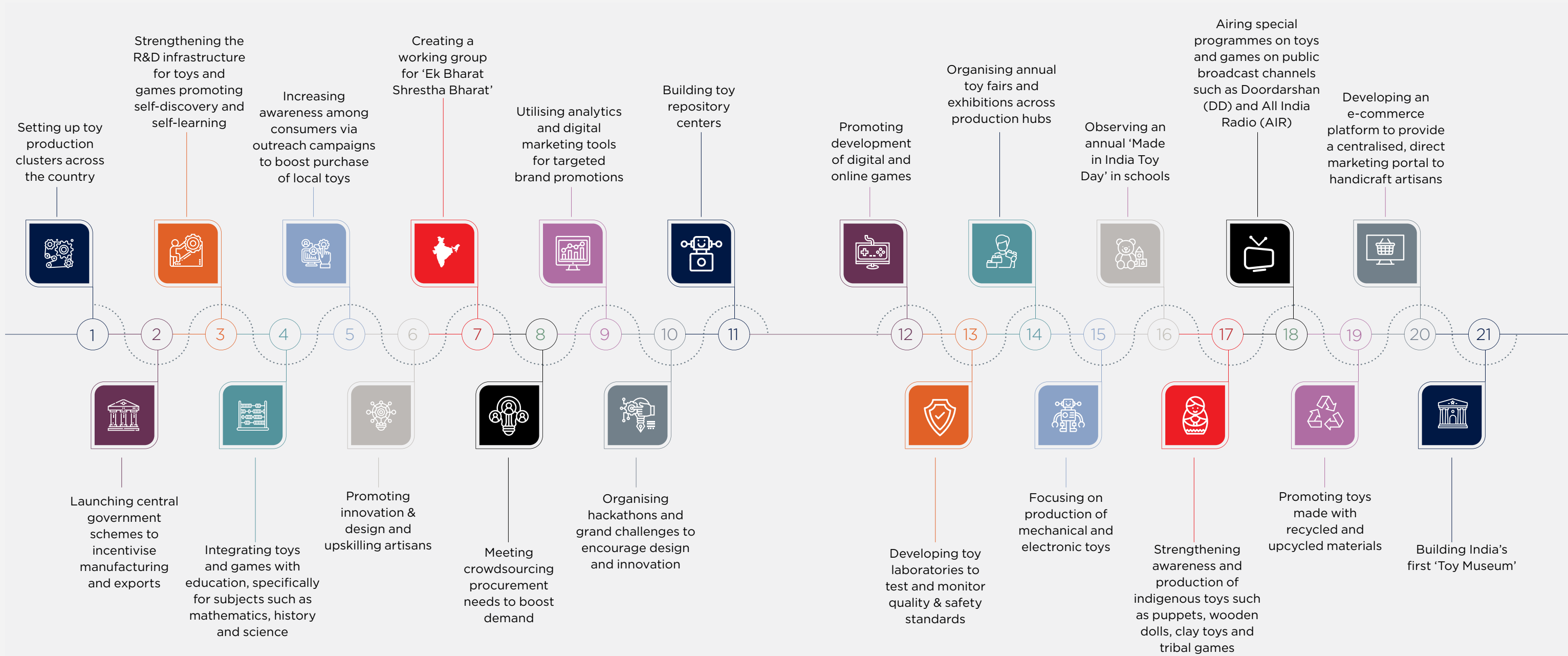
The Government of India, by involving 15 ministries has prepared a National Toy Action Plan to make Indian toy industry competitive. It is a big Make in

India push for domestic manufacturing of toys. The formation of **National Toy Action Plan, Vocal for Local and Make in India** under the **Atmanirbhar Bharat**

scheme are likely to benefit domestic toy manufacturers.



Objectives of National Toy Action Plan



3. Product Specific Industrial Cluster Development Programme

Product Specific Industrial Cluster Development Programme aims to build toy clusters in dedicated SEZs to help them become self-sustained ecosystems catering to export markets, with an objective of attracting investments and building export capacity. Government of India has approved eight toy manufacturing clusters with an

outlay of INR 2,300 crores (USD 307 mn). Of the eight clusters, three are likely to come up in Madhya Pradesh, two in Rajasthan, and one each in Karnataka, Uttar Pradesh and Tamil Nadu.

These toy clusters are likely to bring efficiency in supply chains for both raw material suppliers and toy

manufacturers. The Department for Promotion of Industry and Internal Trade (DPIIT) and the Ministry of Micro, Small and Medium Enterprises (MSME) are likely to develop toy clusters under existing scheme, Scheme of Fund for Regeneration of Traditional Industries (SFURTI).



India Advantage



AVAILABILITY OF RAW MATERIAL

The main component used in toys is plastic and the other materials used are wood, textiles and metal. India being world's second largest producer of polyester and related fibers is expected to benefit toy manufacturing sector.



LOW LABOUR COSTS

Labour intensive industry, the cost of labour can account up to 50% depending on the type of toy. Low wages and rate of growth of wages is lower compared with the competing countries such as China, Thailand, Vietnam and Taiwan works in India's favor, besides also generating much needed local jobs and supporting the MSME sector.



INDIA'S HUGE CONSUMER BASE

A population of over 1.3 bn comprises of a vast majority of young people with approximately half of the total population under the age of 25.



LOWEST CORPORATE TAX IN ASIA

Government of India has slashed Corporate Tax rates for new manufacturing firms to 15 %, lowest in Asia.



AVAILABILITY OF LAND

The Government of India has mapped as much as five lakh hectares of land for industrial purpose, more than four times the size of Hong Kong, spread across 3,390 industrial belts and Special Economic Zones (SEZs) in the country.



FDI

Under the regulatory framework 100% FDI is permissible through automatic route.



EASE OF DOING BUSINESS (EODB)

India's rank improved to 63rd position in 2019 from 142 in 2014.



INFRASTRUCTURE INVESTMENTS

The Government in India allocated a total capital expenditure for industrial infrastructure in India as part of the National Infrastructure Pipeline (NIP) programme for financial years 2020 to 2025 at around USD 42.6 bn. This will empower businesses and create employment as well as improve ease of living.



PLI SCHEME

The Government of India has identified the labor-intensive toy manufacturing sector in PLI scheme, likely to encourage domestic toy manufacturing.

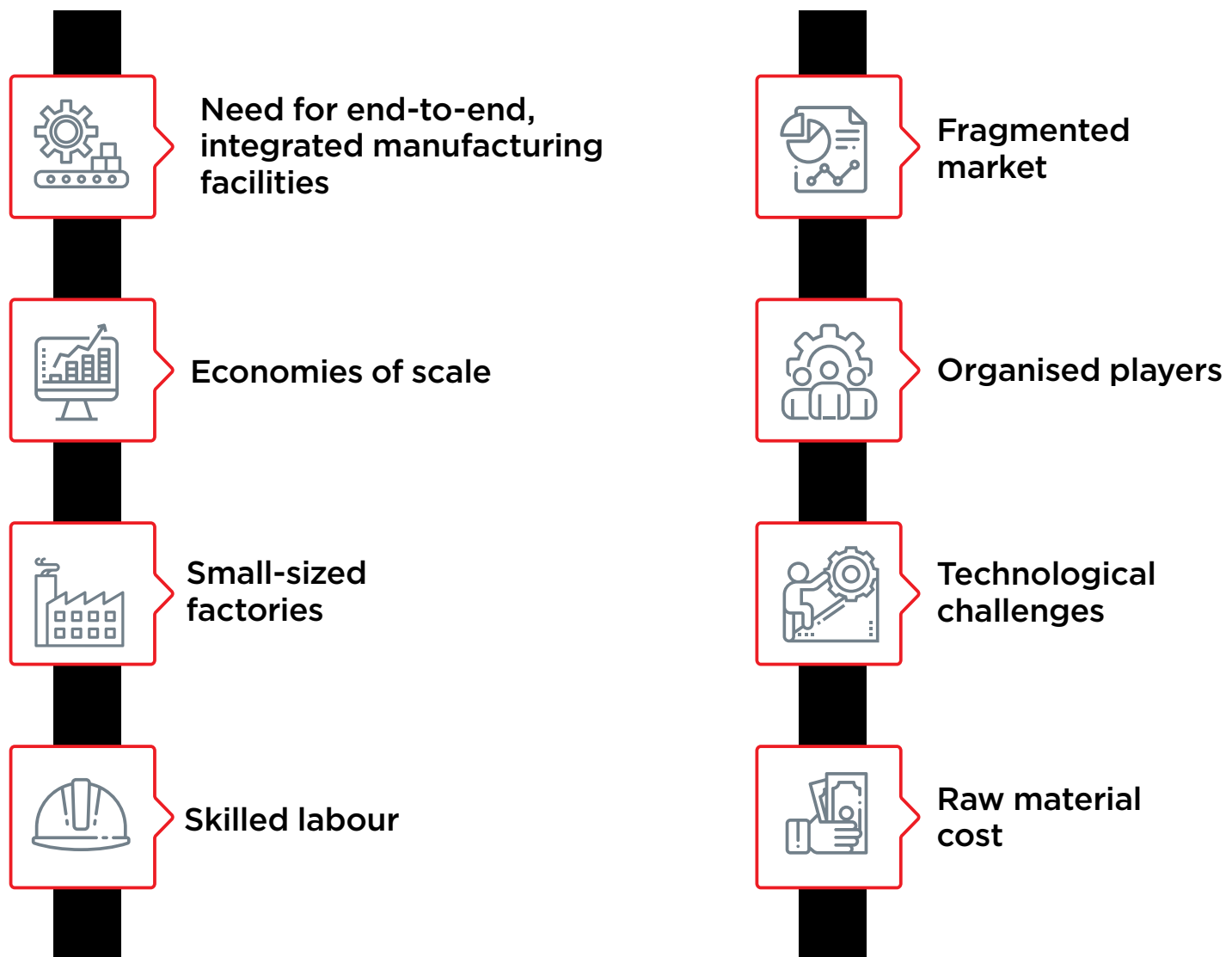
Higher Import Duties and issue of Bureau of Indian standards (BIS)

The Government is making efforts and providing support to boost the toy industry. These efforts include raising Import Duties (up from 20% to 60%), issue of Bureau of Indian Standards (BIS) quality

control orders effective from Jan 2021 to adhere to the global safety standards. The Government of India has mandated sample testings of all consignments of toys being

imported and to be permitted only if the quality tests are successful. This development is likely to encourage domestic manufacturing and reduce import dependency.

Key Challenges



Vocal For Local

Aequis Infra to develop First Toy Manufacturing Cluster in India



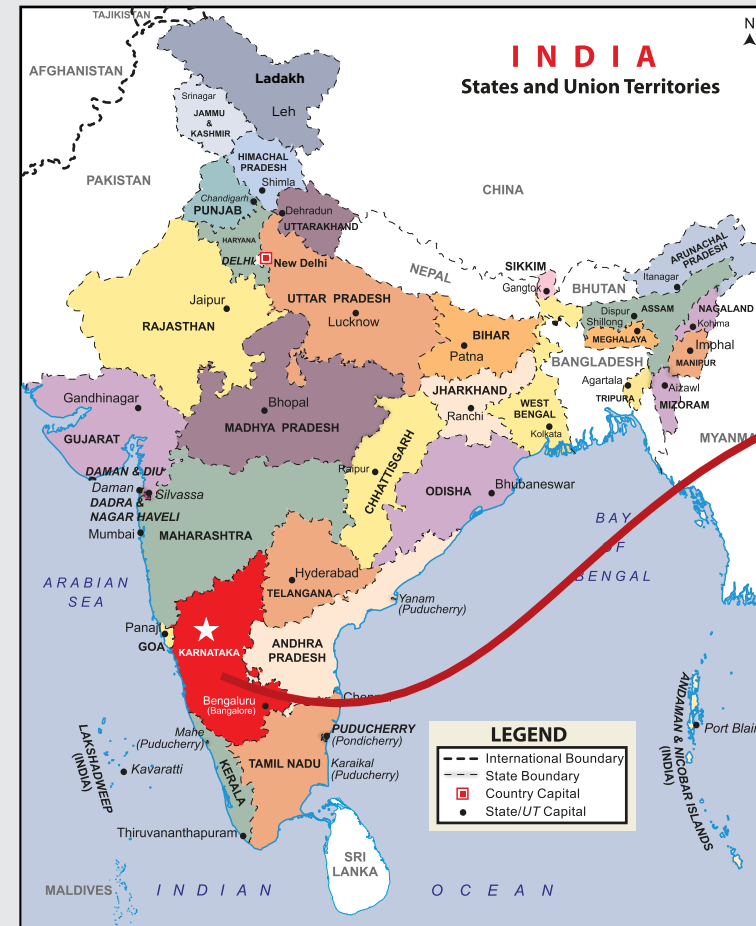
Koppal will have India's first Toy Manufacturing Cluster

Karnataka will leverage its rich legacy of Toy Making

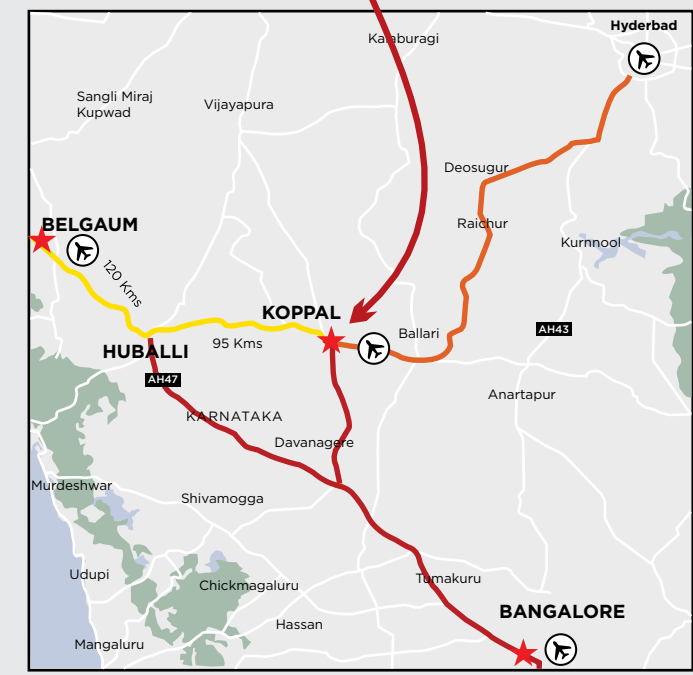


- Area**
400 acres SEZ
- Location**
Koppal District, Karnataka
- Developer**
Aequis Infra
- Infrastructure**
A fully integrated Toy Manufacturing Ecosystem
- Likely Investment**
INR 5,000 Crores (~USD 667 mn)
- Jobs Creation**
40,000

Location Detail



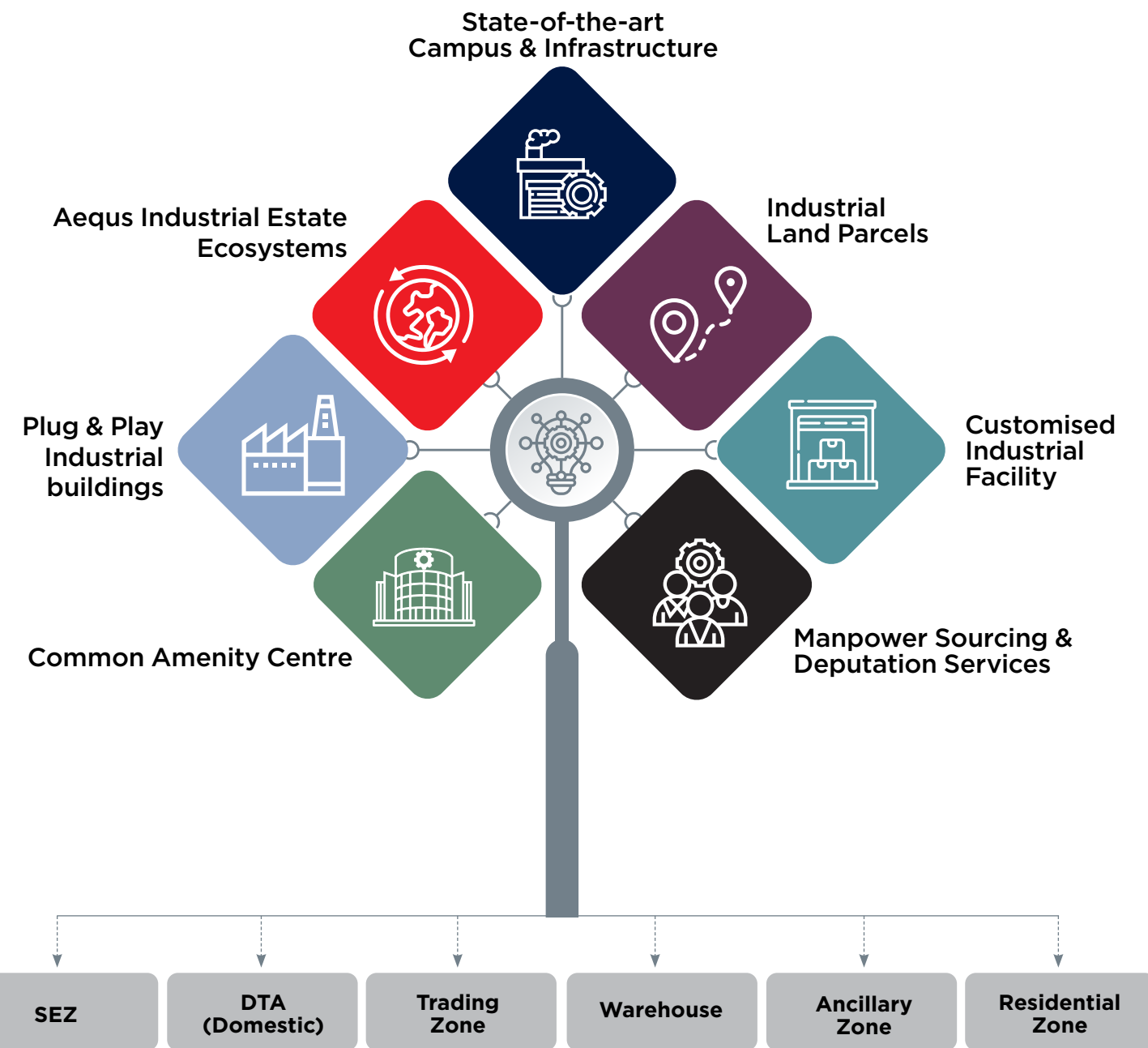
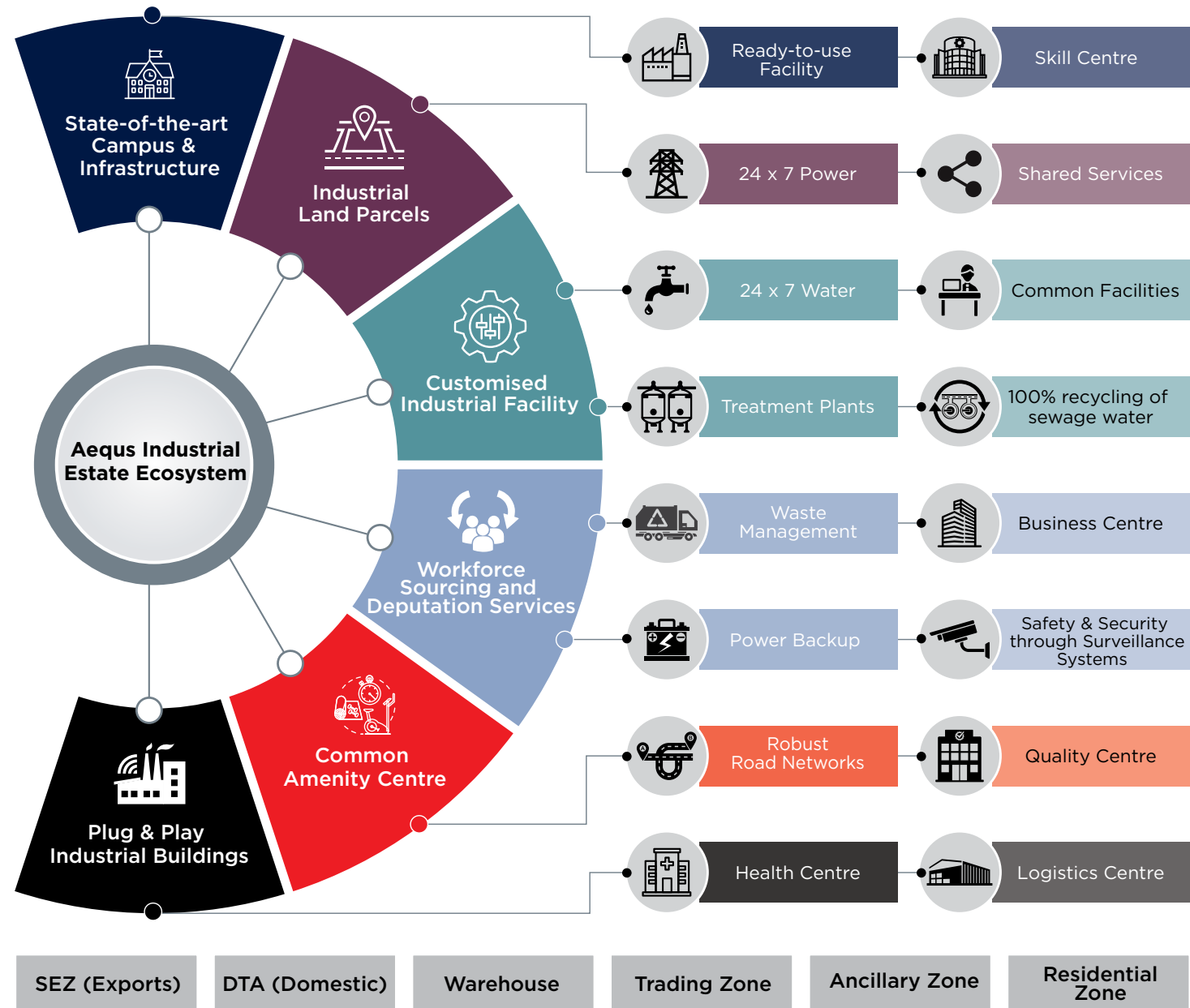
- By Road:**
Bengaluru - 380 km | Hyderabad - 400 km
Hubballi - 95 km | Belgaum - 215 km
- Regional Airports:**
Hubballi | Bellary
- International Airports:**
Bengaluru | Hyderabad
- By Rail:**
Adjacent to well connected railway junction



Proposed Cluster

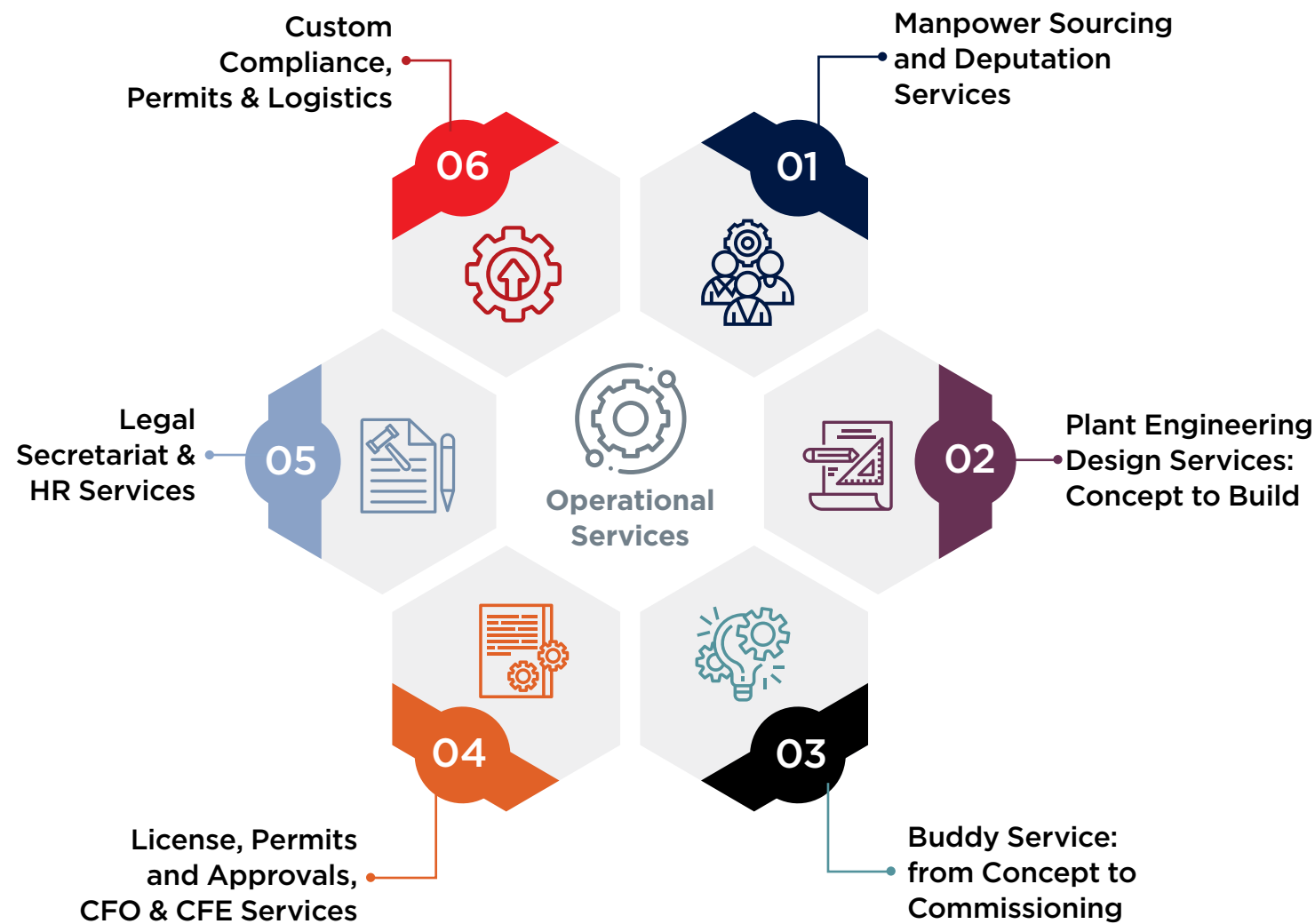


Infrastructure Ecosystem





Support Services Ecosystem: One-stop solution for Operations













Services Offered/Facilities

Environmental Management	Office Spaces	Health Center	Power Supply	Project Management	Landscape Management	Transportation
Security Services	Cafeteria	Customs Office	Water Supply	Conference Facility	Document Management	Environmental Compliance
STP/ETP	Utility Services	Heavy Vehicle Parking	Digital Surveillance	IT & Telecom	Statutory Compliance	Unit Establishment & Compliance
Facility Management	Compliance Management	Centralised Warehouse	Fire station	Incubation Facility	Training Centre	Shared Services

World Class Infrastructure | Built-to-suit | Turnkey Office Space | 24X7 Operations | Facility Management | Health & Safety

Promotional Incentives by Government of Karnataka for Toy Cluster



<p>1 Capital Investment Subsidy: 30% fixed assets on Land, Building & Machinery</p> 	<p>2 100% reimbursement of Registration stamp duty and Registration charges</p> 	<p>3 Interest subsidy on term loan - 5%</p> 
<p>4 Power Tariff Subsidy - USD 0.03 per unit for 5 years</p> 	<p>5 Electricity duty exemption - 100% for 5 years</p> 	<p>6 Rental Subsidy - USD 0.07 per sq. ft. per month</p> 
<p>7 Wage Subsidy - USD 20 per month for 5 years</p> 	<p>8 Freight subsidy: year 1 & 2 - 75% & year 3 to 5 - 50%</p> 	<p>9 Skill Development - USD 167 per candidate</p> 
<p>10 Social Security (ESI & PF) - Exemption on employer contribution 75% for 5 Years</p> 		

Note USD to INR Conversion @75



Views from Aequs Infra

India has emerged as a forerunner for business continuity plans, strategically located amongst the Africa, Middle East, ASEAN countries and East Asian economies. It provides inventory of low risk and asset light and successfully implemented models with ready-built industrial infrastructure that renders built-to-suit, offering higher capex savings.

Key growth drivers are huge customer base, rising disposable income and diverse product category. Under the regulatory framework 100% FDI is permissible through automatic route. Additionally, improved business friendly policies extended around favourable tax incentives offer increased profitability.

In the post pandemic scenario, industries all over the world are developing alternative business continuity plans, and India has three distinct advantages in this regard. Reduction of corporate taxes for setting up of new industries (lowest in Asia), host to Global in-house Centres (GICs) and Global Centre of Excellence (GCoEs) for several manufacturing companies that provide for more robust ecosystem and R&D and lastly, the added attraction of a large domestic market along with prospects of a manufacturing export hub.

India is already home to several large multi-national manufacturing companies and even hosts dedicated Investment Zones from companies from select countries creating a familiar ecosystem. The

availability of labor at competitive costs, flexible labour laws, vast availability of raw materials, plug-and-play facilities, favourable business environment, proposed PLI scheme for toy sector, incentives and subsidies by Central & State governments are likely to make India a toy manufacturing hub. In addition to these, the increase in customs duty and implementation of higher safety standards are likely to encourage domestic manufacturing.

Koppal toy cluster offers many benefits being strategically positioned right in the center to cater to 50% domestic toy market.





The Way Forward- Savills Viewpoints



Manufacturers

Indian skilled labour in the toys manufacturing sector is cheaper in comparison to global competitors like China and Taiwan. The import duty hikes, higher certification standards for import of toys manufactured outside the country are expected to encourage domestic toy manufacturers. In addition, availability of raw materials, supporting infrastructure and government support are likely to boost the industry.



Investors

Given the growth potential, the investors are likely to consider this asset class for their capital investment. Investors are expected to diversify their portfolios and continue to invest in this emerging asset class. Domestic and offshore funds are expected to diversify their portfolios and continue to invest in the emerging toy manufacturing sector.



Government

Many state governments are offering fiscal incentives including up to 30% in capital investment subsidy, which is a strong incentive for toy manufacturers. In addition to these, there are interest subsidy on term loan, power tariff subsidy, electric duty exemption, reimbursement of stamp duty and registration charges. Other subsidies by state governments including rental subsidy, wage subsidy and skill development incentives will likely benefit the industry.



End users

Capitalising on the advantage of raw materials and cost of labor, India is likely to become one of the largest manufacturer and exporter of toys in the future. In addition, the higher import duties issue of Bureau of Indian standards (BIS), quality control orders to adhere to the global safety standards will encourage domestic manufacturing and result in availability of India made toys at relatively lower prices with higher safety standards.



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& IRELAND**
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EUROPE
123 OFFICES

**£1,741
million**

2020 GLOBAL
REVENUE

**Over
600**

OFFICES ACROSS
THE WORLD

**Over
39,000**

PEOPLE IN
OVER 70
COUNTRIES

**AMERICAS &
CARIBBEAN**
68 OFFICES &
ASSOCIATES

**MIDDLE EAST
& AFRICA**
227 OFFICES &
ASSOCIATES

ASIA PACIFIC
61 OFFICES &
ASSOCIATES



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Savills India

Savills is India's premier professional international property consulting firm. Savills began its India operations in early 2016 and has since seen significant growth. With offices in Bengaluru, Mumbai, Delhi NCR, Chennai, Pune and Hyderabad; and also having serviced clients in Kolkata, Chandigarh, Guwahati, Bhubaneswar, Vadodara and Indore, Savills India has a strong pan-India platform to deliver to our clients.

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Aequs INFRA the infrastructure arm of **Aequs Group** is engaged in the activity of Development, Operation and Maintenance of Industrial estates and real estate assets, with endeavor to create world class campus and experiences to our esteemed industrial clients. Aequs SEZ is also the proud developer of the country's first Aerospace SEZ in Belagavi, involved in Development, Operation and Maintenance of state-of-the-art SEZs which caters to the needs of industrial units engaged in highly specialized manufacturing and auxiliary activities. We are on the verge of now completing yet another India's first "Toy Cluster" in Koppal and Consumer Goods Cluster in Hubballi, Karnataka.

aequsinfra.com

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Koppal Toy Cluster

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