The Indian toy sector is expanding on the back of a growing young population, rising disposable incomes, and a slew of innovations for the junior population base. The industry stands on the cusp of significant opportunities in every toy segment such as electronic toys, puzzles, construction and building toys, dolls, ride-ons, sports and outdoor play toys, infant/pre-school toys, and activity toys.
Children are very easily fascinated with high-end games such as Grand Theft Auto and can be lured even with McDonald’s Happy Meal or Kinder Joy toys. Remote-controlled helicopters and robots also have a separate fan base. Today, children have access to an assortment of toys that leave little to imagination.

The Indian toy market has advantages in the form of skilled workforce, diverse range of toys, specialisation in innovation and creativity, and emphasis on learning & education. Besides the strong economic growth that has fuelled the significantly altered spending patterns, India also has a booming online retail sector that is supporting the sector in many ways.

Based on these revolutionary changes, Prime Minister Mr. Narendra Modi is taking various initiatives to boost the sector that has also met with some challenges in the recent times.

**KEY NUMBERS**

According to a Barnes report, the global toy manufacturing market is expected to decline from US$ 102.6 billion in 2019 to US$ 101.6 billion in 2020 at -0.91%. This is due to disruption in supply chains and decline in consumption because of trade restrictions and lockdowns across countries owing to the COVID-19 outbreak. Manufacturing activities were halted to contain spread of the virus, thereby significantly affecting revenues. The market is then expected to recover and increase at a CAGR of 8.12% from 2020 to reach US$ 128.4 billion in 2023.

According to the latest available date, India’s share in the global toy market is less than 1% and is worth Rs. 5,000-6,000 crore (US$ 678.30-813.96 million). A report by the IMARC, a market research company, stated that the Indian toy sector will cross the US$ 3.3-billion mark by 2024 at a CAGR of 13.3% between 2019 and 2024.

**GROWTH DRIVERS**

**Huge consumer base**
India’s population today stands at 1.38 billion or 17.7% of the global population. In 2019, about 28.62% of the Indian population fell into the 0-14 age category. Such a large young population is likely to offer potential for the toy industry’s growth. India’s teen-to-youth population also covers more than half of its demography, leading to an increased demand from the toy industry.

**Rising disposable income**
India has exhibited strong GDP growth rates for the last several years and now, represents the world’s largest economies. Driven by this trend, the middle-class population has experienced strong growth in the region. On an average, every Indian is earning 30% more than that six years ago. Per capita income in India rose from Rs. 72,805 (US$ 982.72) in FY15 to Rs. 94,954 (US$ 1281.68) in FY19. Consumers have more disposable incomes and their spending patterns have also changed. This has resulted in a major shift from traditional and medium- to low-end battery-operated toys to innovative
India’s Toy Story

Electronic toys, intelligent toys, and upmarket plush toys.

**Innovations in Toys**
There are a large variety of innovative toys available in the market at present. Toys are domestically produced by small, midsized, and large manufactures and, those that are produced from renowned international brands. Each toy category has inexpensive and high-end versions.

**Rise in online purchases**
Recently, online sales channels have also witnessed boom in India with the evolution of smartphones and other digital media. As quality and features of products can be discussed among shoppers and prices can be compared on various platforms, online sales channels have appeared to be one of the fastest-growing distribution channels for toys in India.

**TRENDs**

**STEM-based toys** are one of the most advance trends in the toy manufacturing industry. STEM stands for science, technology, engineering, and math and such toys focus on providing fun and education to children and making it relatable to the real world. According to the Toy Association report in 2018, 67% parents believe in STEM-focussed toys as their primary way to encourage science and math development in young children.
Internet retailing is becoming an important distribution channel due to several reasons. Consumers have increasing access to the Internet and online retailers often have better merchandise in terms of variety, new launches and spread of branded toys. Though the online toys market represents a mere 5%, it is growing rapidly. E-commerce platforms have increased in number and people have found ease in paying digitally and ordering online from websites such as Amazon.

Shift from conventional toys
With evolving trends, there has been a shift from conventional toys to innovative and hi-tech electronic toys. For instance, Lego has replaced wooden building blocks, while Barbie dolls have now taken over traditional cloth dolls.

Connected toys
In today’s connected world comprising the Internet of Things (IoT), smart tech toys are here to stay. These toys, for instance, can make learning fun for children and help parents keep track of their whereabouts. The market for connected toys equipment in India is estimated at US$ 1,208.3 million in 2020 and is expected to change by 20.2% from 2020 to 2021. The market will be Rs. 90,421 million in 2020 and is forecast to change by 23.8% from 2020 to 2021.

Connected Toys Market (US$ billion)

Source - Barnes Report

In India, the market for smart toys is still small compared with the generic plastic toys, but the demand is increasing, particularly in cities such as New Delhi, Bangalore, Mumbai and Hyderabad, according to Vivek Goyal, Co-founder of PlayShifu—a tech start-up known for its augmented reality-based smart toys such as the Orboot globe.

Toys evolving into data collection gadgets
Experts point out that as connected toys use microphones, cameras, Bluetooth, Wi-Fi, and data collated from users and stored on a remote server, making them as vulnerable as any other connected device.

Rohan Vaidya, Regional Director of Sales, India, CyberArk, an IT security firm, stated, “As an individual user, when you buy such toys, you are giving the producers the right to utilise that data. However, if there are laws and frameworks that can mandate toy companies to have stringent privacy policies, misuse of the data can be curtailed.”

Sunil Abraham, Executive Director, Centre for Internet and Society, a Bengaluru-based research organisation, has also commented on this trend, stating that to be sure, smart toys are currently regulated under section 43A of the IT Act and when the new data protection laws are enacted, the new set of rules will apply to them.
Distribution & Supply Networks of Toys: Toy supply chain consists of components, toy manufacturers, toy distributors or wholesalers, toy sellers and toy consumers.

Channels play a vital role in the distribution function. Marketing channels are generating increased customer demand for particular products and play a pivotal role in getting competitive advantages for the firm. Consumers used to purchase most of their toys from traditional channels such as departmental stores, supermarkets, and independent toy specialists. Currently, emerging sales channels such as hypermarkets, discounters, and toy specialists (superstores) are dominating toy sales.

GOVERNMENT INITIATIVES - 2020

Call to the start-ups
Mr. Narendra Modi has called upon start-up entrepreneurs to explore the toy sector. He has also urged industry players to support local toys and reduce reliance on foreign goods. Quoting Nobel Laureate Rabindranath Tagore, the PM said toys should be incomplete so that kids can complete them in their imagination. The PM highlighted that expensive foreign-made toys severed our children from others and have destroyed the concept of collective gaming.

He also asked educational institutions to organise hackathons for students to innovate in toy technology and design, including online games, to reflect Indian ethos and values.
The increase in custom duty is likely to result in toy importing brands to explore manufacturing in India, especially for the Indian market.

**Mandatory quality certification**
The government has made toy quality certification mandatory to revive the indigenous industry. India began enforcing quality control for imported toys from September 1, 2020, to ensure that only products conforming to standards enter the country. The Quality Council of India found in a December 2019 survey that 67% imported toys were unfit and dangerous for kids.

It is also interesting to note that the Confederation of All Indian Traders (CAIT) wrote to the Prime Minister’s Office in September 2020, proposing formulation of a concrete toy manufacturing policy to boost the domestic toy industry.

**Phased manufacturing programme (PMP)**
The government is planning a PMP for toys with an aim to build a robust indigenous manufacturing ecosystem. India’s domestic toy industry comprises 4,000 micro, small and medium enterprises (MSMEs) and is primarily in the unorganised sector—a key area of focus for the government.

A senior official in the industry has revealed that the government is contemplating incentives for components and accessories, along with a licence regime, for imported toys. International companies need to be incentivised to make India their export base. India is not a big enough market for any company to serve domestically. Companies want to export from here.

The programme will make local assembly of toys cheaper than imports since the benefits are in line with the PMP for mobile phones that was introduced in 2015. The government has offered tax relief and differential tariffs among other incentives on components and accessories used in the production of mobile phones to provide a push to local manufacturing and reduce India’s dependence on imports under the PMP.

**Programmes boosting the toy sector**
The government has chalked out a plan to promote traditional toys manufactured in the country by creating Toy Labs—a national toy fair for innovative Indian-themed toys. A plan to establish networks of toy labs such as Atal Tinkering Lab is also in the works to provide support for physical toys and for children to learn, play and innovate. Such labs will also be a way of specialised toy marking for quality certification and original design.

There is also huge demand for toys under literacy programmes such as Sarva.
Shiksha Abhiyan run by the Government of India. The new National Education Policy also focusses on toys for children to nurture their creativity and innovation quotient.

**Pumping investments into the sector**
The Department for Promotion of Industry and Internal Trade (DPIIT) will be reaching out to large-scale manufacturers in a round table for investments in the US$ 1.75 billion toy industry. India has also invited top global toy makers to invest and a round table with major manufacturers is being planned to discuss Indian-themed toys.

**Educating consumers**
Some electronic toys may be labelled educational when they are not, leading to a lot of young children glued to tablets and apps. Traditional toys are important for developing language interactions, pretend play and problem solving. While many electronic toys create eyesight, hearing and postural problems, these traditional toys help with a child’s healthy physical growth.

The government is gradually introducing a new norm in the minds of consumers to purchase safe and good-quality ‘Made in India’ toys as against cheap and poor-quality imported toys. Adverts are also being gradually designed in a manner to target children and parents as influencers in building the Made in India brand loyalty, similar to the marketing campaigns of Amul and Maggi.

**Inducing the value of traditional toys**
A ‘Team Up for Toys’ campaign proposal is in process, which aims to educate consumers on the harmful effect of addiction to online gaming in children. The campaign also aims to encourage toys to promote physical activity, Indian ethos, and national values in children. The tentative action plan has tasks for nine ministries to enhance India’s share in the global toy market and usher in behavioural changes in people to choose Indian toys over imported ones. The DPIIT organisation emphasises on the need for toys to ‘reflect the Indian sanskaar (tradition) and have an emotive appeal, balancing between modern technology and innovation.’

A senior official in the DPIIT has stated, “The approach will involve promoting changes in the behaviour of parents and, promotion of Indian toys, using them in our pedagogical approach and making the Indian toy market sustainable. Every ministry will be involved and so will state governments. Indian cultural ethos and folk stories will be an integral part of the push to the campaign. What does an Indian tractor or tiller look like, children need to know.”

Additionally, communication units of the government, including Doordarshan and All India Radio, have been instructed to run large-scale campaigns with aspirational organisations such as the ISRO and DRDO on toys, having special shows to promote indigenous puppetry and organise debates on the harmful effects of chemicals in toys, and run awareness campaigns among Indian parents on Indian toy brands.
Involving various sectors to uphold the toy story
The government has invited the Ministries of Education, Textiles, I&B, Commerce, Women and Child Development, Culture, Tourism, Railways, Urban Development, Science and Technology and IT to give their inputs for betterment of the toy sector. A DPIIT senior official has explained how various industries can contribute towards the toy sector.

The education ministry has been asked to look at inclusion of indigenous toys as a major learning resource activity, as part of the recently announced National Education Policy, which brings preschool under its ambit. The plan also includes developing kits for Ek Bharat, Shreshtha Bharat, a flagship scheme of the education ministry.

IITs will be roped in to look at the technology aspect of toys. The National Institute for design and the National Institute for Fashion Technology will study the concept of ‘Toys and National Values.’ Using non-hazardous materials and creating toys that will help in mainstreaming children with learning disability will also be a top focus.

The Ministries of Science and Technology and IT will look at how “India’s indigenous games can be featured in the digital space and creating a digital repository archiving description of history,” while the Ministry of Culture could work on an ‘Indian Toy Museum.’

The Ministries of Tourism has been asked to initiate toy routes that can be taken to promote toy clusters across the country, while the MSME will look at establishing toy circles in areas with toy clusters, knowledge centres in collaboration design institutes and supporting indigenous manufacturers to comply with the quality standards.

Parts of India—Channapatna in Karnataka, Kondaplli in Andhra Pradesh, Thanjavur in Tamil Nadu, Dhubri in Assam, and Varanasi in UP—are places that have their own toys. Commerce and urban development ministries will look at exhibiting the toys better, while the MSMEs will look at ways to make the industry sustainable, which right now is small scale, traditionally handicraft-based and spread across the country industry.

Consolidating and upskilling the unorganised sector
The government is also deliberating forming toy producer clusters and linking all such clusters with artisans. The official added that the department is also looking at addressing skill upgrades and credit needs of the toy clusters and facilitating their engagement with foreign investors.
COMPETITIVE LANDSCAPE

Manufacturing toy units in India
India has over 800 toys and game manufacturers producing toys locally. However, the four large players with an international presence are as follows:

**Funskool**

Funskool, powered by the MRF Group, is the first Indian toy manufacturer to get certified by the Bureau of Indian Standards for Safety of Electric Toys - IS 15644 for the manufacturing plant in Goa, which also has the IS 9873-Part 1 license covering non-electric toys. Funskool has three units - one in Goa and two in Ranipet, Tamil Nadu. Each year, Funskool develops about 60-70 products comprising plastic-moulded toys, board games, puzzles, and wooden toys. This year, the number could go up to 120, following the recent hike in duty on imported toys and company’s focus on the domestic market.

**Lego**

Lego Group is a privately held, family-owned company with headquarters in Billund, Denmark, and main offices in Enfield, US, London, UK, Shanghai, China, and Singapore. Lego had its sales up by 14% during the pandemic. Its CEO said 'more adults than ever' are building LEGO sets. The company works with various government organisations such as Save the Children and NITI Aayog to support children impacted by COVID-19 in India.

On October 28, 2020, the Lego Group announced foray into the India market with its first campaign titled ‘The Little Red Brick’, communicating the infinite potential of creativity that the Lego bricks offer to children.

**Mattel**

Barbie dolls and Hot Wheel racer cars are sold under Mattel. the company is engaged in designing and selling games, toys, etc., for children since 1945. Mattel claims to have adopted the trademark ‘Kick and Play’ for toys and games in 2010 and started using the same in India since 2012.
Hasbro

The largest publicly traded toymaker worldwide, Hasbro Inc., has licenses for some of the most popular franchises such as Frozen, the Transformers and the Avengers. In 2019, amid ongoing trade war between the US and China, Hasbro announced plan to shift manufacturing plants from China and open newer ones in Vietnam and India.

Connected Toys Market (US$ billion)

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funskool</td>
<td>30%</td>
</tr>
<tr>
<td>Mattel</td>
<td>30%</td>
</tr>
<tr>
<td>Hasbro</td>
<td>9%</td>
</tr>
<tr>
<td>Lego</td>
<td>3%</td>
</tr>
<tr>
<td>Bandai</td>
<td>3%</td>
</tr>
<tr>
<td>Leap Frog</td>
<td>4%</td>
</tr>
<tr>
<td>Others</td>
<td>20%</td>
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</tbody>
</table>

Toy Specialty Stores

India also has toy specialty stores such as RCS in New Delhi, Hamleys in Mumbai, and Priyanka in Hyderabad. Last year, the richest man in India, Mukesh Ambani - the owner of Reliance Industries, purchased the 259-year-old British toy store chain Hamleys from C. Banner International Holdings for US$ 88.5 million in an all-cash business deal with the view to catapult India’s Reliance Brands to be a dominant player in global toy retail.

TOP INDIAN TOY COMPANIES

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Company Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brainsmith</td>
<td>Offers innovative toys for children to play, learn and grow by designing an exclusive, child-safe assortment of early learning experiences</td>
</tr>
<tr>
<td>BUDDYZ</td>
<td>Operating since the past 34 years, functioning under Plastech International; offers a range of top-notch toys, children’s stationery, character merchandise and promotional products</td>
</tr>
<tr>
<td>Clever Cubes</td>
<td>Engaged in the development of board games, making learning exciting with a potent mix of play</td>
</tr>
<tr>
<td>CocoMoco Kids</td>
<td>Specialises in educational toys, games, DIY activity kits and maps that help children learn &amp; develop the right skill-sets at the right age through the joy of a toy</td>
</tr>
<tr>
<td>Shinsei</td>
<td>Manufacturer of child-friendly toys that ensure strong fine motor development skills in children; the company has over 200 SKUs and presence across 10,000 Indian stores</td>
</tr>
</tbody>
</table>
### POPULAR INDIAN TOY START-UPS

#### Kreeda
- Founded in 1999-2000, Kreeda makes board games inspired by real, ancient games from India.
- The games are created keeping the Indian tradition in mind and are environment friendly (avoids plastic and uses naturally available materials).

#### Ario Wooden Toys
- Founded in 2016, Ario Wooden Toys offers developmental toys such as pikler triangle, rattles, learning tower, puzzles, teethers, sliders, step stool and indoor gym.
- The toys are priced between Rs. 200 (US$ 2.70) and Rs. 19,000 (US$ 256.23), having 80 SKUs available on ~20 platforms including Amazon and Flipkart.

#### Desi Toys
- Founded in 2012, Desi Toys offers traditional Indian toys and games to expose the tech-savvy generation to India’s age-old collection of toys and games.
- The company has retail outlets at most airports in India, thus attracting NRI customers.

#### Skola
- Skola Toys focusses on the early education sector, making learning products that enhance development among children.
- They have supplied high-quality educational materials to >10,000 schools across the globe for over 25 years.

#### Toing
- Founded in 2016, Toing launched products ranging from craft kits, board games, party games and outdoor toys.
- Toing’s range of toys and games help develop social and emotional intelligence in children.

#### Skillmatics
- Founded in 2017, Skillmatics is an educational games business designed to reduce children’s dependency on technology.
- Its products are now available in 15 countries via its own website and online marketplaces, and also in 3,000 retail stores.
**CHALLENGES**

**Invasion of foreign toys in the Indian market**
Rattles, spinning tops, skipping ropes, wooden dolls or Chaturanga (the predecessor of chess) - these traditional Indian toys and dozens more have impacted millions of children for generations and helped kids develop vital motor skills as well as thinking capabilities. The inflow of cheap mechanical toys that started flowing into the country with the liberalisation of the Indian economy surpassed the traditional toy market in a matter of years, overrunning the market with low-quality Chinese imports. As a result, many toy factories closed in the past 30 years as they couldn’t compete with China-made toys, especially the electric ones.

**The effect of increased import duties**
Recently, the government increased import duty from 20% to 60%. Customers started to cancel orders, some held their orders back in hope that the duties will be reduced. The 200% increase in duties led to price hikes, making toys more expensive.

**Quality certification accompanied with challenges for traditional craftsmen**
The government has mandated the Bureau of Indian Standard (BIS) certification for toys. In response to this move, artisans, and toy-making families in the ‘Toy town’ of Channapatna, Karnataka, fear for their future. As per the Union Ministry of Commerce, toy manufacturers have time until January 1, 2021, to get the BIS certification. But experts have warned that the move will be disastrous for traditional craftsmen who have depended on toy making for centuries in Channapatna.

Speaking of the challenges, Sreekala Kadidal, Independent Director, Channapatna Crafts Park has highlighted that Channapatna toymakers are already struggling to stay afloat after GST on toys increased from 5.5% to 12%, followed by the pandemic lockdown. “Artisans in Channapatna are not computer savvy, but the BIS certification process is online. Worse is the fact that there is not a single BIS laboratory in South India. Samples need to be sent to labs in North India for testing because pre-testing must happen in a laboratory, following which a BIS certification is granted. The initial testing costs is up to Rs. 2 lakh (US$ 2.71 thousand) per family of toymakers. This is excluding yearly re-assessments, repeat testing of toys, etc.” She added that the exercise will adversely impact more than 2,000 artisans and their families.

“The wooden toys segment is very small involving artisans from the lowest rung of the economy. This is not the way to be competing with China. We are GI (Geographical Indication) tagged and a simple process of putting logos on these toys should suffice,” said Kadidal.

Also, K B Arasappa, President of KASSIA, raised concerns stating, “Toys in Channapatna, especially non-electric ones, are manufactured by family members or with not more than 10 employees. They cannot afford to get these certifications. It is better for the government to step in and club units or allow distributors to get the certification.”

**Certification Cost**
Application, Renewal and Annual Licence Fees: Rs. 1,000 ($ 13.53)
Annual Marketing Fee
Non-electric Toys: Rs. 59,000 (US$ 798.28)
Electric Toys: Rs. 88,000 (US$ 1,190.66)
Labour laws
A closer look at what has held India back from making it big in this sector reveals an important flaw — labour laws. Toy making is, by nature, labour intensive. The life of a toy is limited. For instance, a Transformer Toy sells well when the movie releases and the off-take dies down soon after. Therefore, the demand for a product changes rapidly and each toy requires a different skillset. These factors not only rule out mechanisation, but also call for flexible staffing.

Indian laws do not permit recruitment or retrenchment based on demand if the organisation grows beyond a certain size in terms of employee strength. Hence, most units in the toy sector are very small and no major corporates have forayed into the industry despite the low capital investment needs.

China, on the other hand, built huge factories, some employing as many as 30,000 workers. In most cases, the workers were provided accommodation at the factory and paid on an hourly or per piece basis. This meant that they could generate huge volumes, which significantly reduced the cost of production.

Leveraging technology
The wooden toys are created with a great deal of thought and craftsmanship. They add value to the growing years of a child helping in developing the child’s overall senses. However, kids are now fast gravitating towards intelligent toys and video games. Owing to this trend, the domestic toy manufacturers are now tapping into India’s expertise in information technology to offer games that capture the imagination of the children. The Prime Minister is hence asking the start-ups to help achieve this transformation.

Head backs in the supply chain
Due to the fragmented nature of the sector, the country lacks a decent supply chain. Toys have a very short shelf life and tooling needs to be changed every time a new toy is to be made. However, tooling in India has barely evolved and is too costly. Most players depend on China for this. The virus outbreak in China has affected the toys business way before the lockdown in India. Most toys reaching India are manufactured some 1,000 km away from Wuhan, the epicentre of the pandemic. Besides finished toys, China is a big supplier of second-hand toy moulds that are bought by local Indian toymakers at heavily discounted prices. Parts of toys and stationery items also come from China.

Even a Made in India toy may use springs and plastic parts that are imported from China. Certain buttons and batteries in toys also come from China. All these products will be in short supply until regular business activities resume.

Dependency on foreign countries for sourcing raw materials
Indian manufacturers specialise in board games, soft and plastic toys, pull-along toys, play dough and puzzles. Companies have to import machines from South Korea and Japan to source raw materials for these toys.

At Kiddi Land, a toy shop in Amar Colony, South Delhi, up to 70% shelf space is taken up by Chinese toys and 25% by Lego (made in Denmark). “We also import from Thailand, Vietnam and the Philippines. Indian toys are good, but they don’t make electronic toys,” said Sanjay Pahwa, Owner of this 40-year-old shop.
Highly unorganised sector
While organised manufacturers can scale up by automating or hiring more labour, about 60% of India’s 3,500 toy manufacturers operate in the unorganised sector—from small units with sometimes as few as five employees. They do not have the capital to suddenly increase production.

Insufficient investments/capital
Suhasini Paul, a toy designer based in Delhi and who has lived in China and visited many toy factories, said that the Chinese produce all kinds of toys, cheaper ones to more expensive high-quality ones. “But due to budget issues, our toy importers only bring cheap Chinese toys in India.”

Manish Kukreja, CEO and Director of Shinsei Toys and President of the All India Toy Manufacturers Association has also raised concerns stating that manufacturers complain of retailers not giving enough space to Indian toys. With Chinese toys, they earn better margins and therefore, prefer stocking them more.

R Jeswant, CEO, Funskool India, has highlighted that we have competent labour and if the imports come down, more and more investments will flow in.

Reduction in free trade and rising geo-political tensions
Many economies are imposing restrictions on free trade to boost their local economies. The US government is taking a more protectionist stance and renegotiating many trade agreements, including NAFTA (North America Free Trade Agreement) and increasing tariffs on Chinese manufactured goods. These changes could set off a wider trade war, reversing the recent trend towards greater global free trade. For example, according to a report by the International Monetary Fund, rise in trade barriers could increase import prices by 10% and decrease exports by 15% during the forecast period, affecting growth of the toy manufacturing market, which relies on easy and cheap movement of goods between countries.

Coronavirus pandemic
Outbreak of the Coronavirus disease (COVID-19) has acted as a massive restraint on the toy manufacturing market in 2020, as supply chains were disrupted due to trade restrictions and consumption declined due to lockdowns imposed by governments globally. Steps by national governments to contain transmission have resulted in halting of manufacturing activities. The outbreak is expected to continue to have a negative impact on businesses throughout 2020 and in 2021. However, the toy manufacturing market will recover from the shock as it is a ‘black swan’ event and not related to the ongoing or fundamental weaknesses in the market or global economy.

REGIONAL INSIGHTS & INITIATIVES

Maharashtra has the largest share in India’s toy market, followed by Tamil Nadu, Karnataka, Gujarat, Delhi, and others. Local toy manufacturers and sellers are scattered across the country in small scale (1,250-2,000 businessmen). Delhi, Punjab, Haryana, Uttar Pradesh, Mumbai, and Tamil Nadu, along with a few other southern states, are the core regions where these producers are often found.

RECENT INITIATIVES - BY STATE

First toy manufacturing cluster in Karnataka
In August 2020, Karnataka Chief Minister BS Yediyurappa announced that Koppala will have India’s first toy manufacturing cluster, a plan in line with PM Mr. Narendra Modi’s vision of Vocal-
for-Local for boosting toy manufacturing. With the ecosystem to support toy clusters, this 400 acres SEZ will have top-class infra and generate 40,000 jobs in five years.

**Toy manufacturing parks in Andhra Pradesh**

BJP MLC Mr. P V N Madhav stressed on the need for setting up toy manufacturing parks in Andhra Pradesh and other states. The MLC emphasised on the formulation of a national policy for the toy manufacturing industry and clusters and encourage start-up companies to create Indian mythological-based video gaming. He appealed to various ministers to encourage setting up of start-up companies for toy manufacturing in Visakhapatnam as it would give way to new job opportunities and strengthen livelihood of artisans in Etikoppaka.

**West Bengal to have a toy park**

The West Bengal Exim Association has sought land from the government for setting up a toy park to develop indigenous manufacturing capacity in the state. Akshay Binjrajka, Secretary, West Bengal Exim Association, and Vice President, All India Toy & Baby Products Association, said many importers want to shift to manufacturing considering the huge scope here. “We have sought 20 acres initially near Kolkata. Bengal has a huge scope for this industry, considering availability of cheap yet experienced labour force and access to a major port. We need some incentives from state here,” he added.

**Uttar Pradesh allotted land for toy manufacturers**

Uttar Pradesh has allotted about 700 plots to a host of apparel, handicraft, toy manufacturers and MSMEs near the upcoming Jewar International Airport. Out of the total 700 plots, 108 have been allotted to domestic toy manufacturers including leading players such as FunZoo, Ankit Toys, Toy Treasurers and Funride, which had applied for the plots. YEIDA has estimated that once operationalised, the toy manufacturing hub alone is likely to create 25,000 jobs. Also, 63 allotments have been made under the start-up category. The UP government has already received 82 applications from domestic toy manufacturers to set up units at the upcoming toy manufacturing hub.

**Gujarat government proposes toy manufacturing clusters**

The Gujarat government has proposed dedicated toy manufacturing clusters in the state and has invited top Indian and multinational toy manufacturers and start-ups to set up operations. International toy manufacturing companies such as Nintendo Co. Ltd. and Tomy Co. Ltd. from Japan; Hasbro and Mattel from the US; Siumba Toys from Germany; along with Namco Bandai, Lego, and Jakks Pacific have been invited by the Gujarat government to set up production units in the state.

Manoj Das, Additional Chief Secretary (ACS), Chief Minister’s Office (CMO) and In-charge ACS, Industry and Mines Department, has written to top international toy manufacturers from the USA, Canada, Europe and Japan, and assured them the best possible assistance at
In a bid to promote manufacturing of sports goods and toys, the state government has developed a dedicated industrial area in Husked near Bhiwadi over seven acres of land with 39 plots. The state government is also speaking to big companies in the sector such as Mattel. Once fully functional, the Sports Goods and Toys Zone will attract investments of about Rs. 300 crore (US$ 40.73 million) and generate employment for 7,500 people.

Release of a postcard of Sawantwadi toys
In September 2020, a special Postcard of the Sawantwadi toys was released as a memento of the long-held traditional wooden toys that are a specialty in the region. Additionally, a set of postcards on ‘Traditional Toys of India’ was released online from nine states during the same period. Sawantwadi in Sindhudurg is considered the country’s largest market for wooden models of fruits and toys.

FUTURE OF TOY INDUSTRY IN INDIA

The invention of toys in India took place during the Indus Valley Civilization, ~8,000 years ago. The original toys comprised whistle-shaped parrots, toy monkeys with long hands to slide down a rope or stick and miniature farm carts. All these toys were made from natural materials such as bamboo sticks, hay, natural clay like soil, rocks, and fibre cloth. However, today, the advent of progressive technology and mechanism has stimulated companies to produce fresh and inventive toys. Soon, owing to the new revolution of ‘Local se Vocal’, India is anticipated to become the global hub by 2025-2030.

The government’s push for domestic manufacturing and renowned global toy companies looking to India as a manufacturing destination has raised positive hopes for the sector. Key developments in the year have sought to promote growth of toy manufacturing in India through proposed import duty hikes, higher certification standards for import of foreign toys, and allotment of manufacturing plots and investment zones.

Currently, 90% toys sold in the country are est. to be imported. With the duty increase, a positive change in the Indian toy industry will be witnessed. While the sector will take some time to churn the benefits, it will be beneficial for businesses, economy, and international trade relations and foreign exchange in the long term.
**The Atmanirbhar mantra:** The awakening towards a self-reliant India is likely to witness strong growth in capital and sales for industry players. With focus on Atmanirbhar Bharat, R Jeswant, CEO, Funskool India, has stated that there is opportunity for India. “India does not lack capabilities for producing toys for the world, but many challenges exist. There are many toy companies wanting to source from us and we have been able to meet all the standards.”

“The Indian toy market is very small compared with the global market and we do face some handicaps. Tooling costs are high, which hinders design and development for toys in India.” But, according to him, there is potential as we have seen high import duties that can help domestic manufacturers build production capacity.

**Branding:** While it will be difficult for Indian companies to achieve the scale built by China, they can command a premium for toys if their work displays a passion for creating a positive environment for workers as well as end consumers. Such a branding is likely to attract global toy brands, which are already facing anti-China tirade back home, to gravitate towards India despite higher costs.

**Covid-19 influence on the toy market:**
The impact of coronavirus on toys has reinforced many trends already re-shaping the pre-COVID-19 industries, mainly in digital transformation. 2020 demonstrates further shift towards home entertainment and online education, with surge in video games including e-sports and digital education tools, especially STEM. While some traditional toy categories spiked in Q1 2020, there is a long-term trend towards repositioning of players as entertainment providers on multiple platforms.

R Jeswant, CEO, Funskool India, was asked about competition from digital and video games. He expressed a positive outlook stating, “In the last 33 years, we have delivered quality branded toys to customers. Physical toys will be relevant even with digital gaming, although it would have been far greater if that did not exist. In fact, during the lockdown, we saw a huge response to board games and puzzles.”

**Purchasing power:**
The Indian middle class has emerged as a force to be reckoned with in the consumerist world. Purchasing power of the Indian middle class has been considered equivalent to the entire European economy.

The recent new generation taste has shifted from the traditional battery-operated toys towards innovative electronic, intelligent, and branded stuffed soft toys such as huge teddy bears and Giant pandas. In view of the retail boom and evolving middle class, consumption patterns that favour use of toys as a means of entertainment and education, India’s toy industry is poised for substantial upward growth and a brighter future.

**Changing global scenario:**
Toy manufacturing is an ideal sector to revive a struggling economy. It offers large-scale employment to semiskilled/unskilled workers and especially, women. With China shifting focus to higher-value toys, opportunity has opened for slow progressing countries such as India. Vietnam has already changed its laws and created a US$ 4-billion toy industry in just three years. India too is now joining the global race to make its mark.

**An opportunity for start-ups:** There is a start-up opportunity in the Indian toy
market now, as the adoption of non-Chinese products will create a huge vacuum. Aspiring entrepreneurs are likely to receive great support and opportunity in the Indian toy industry.

**Growth opportunities spilled to other sectors:** Emphasis on the Indian toy manufacturing reflects the government’s efforts to resuscitate growth and investment into the labour-intensive manufacturing segments where India can compete more effectively with China, besides also generating the much-needed jobs and supporting the MSME sector. Other sectors that can benefit from this domestic manufacturing focus include furniture, leather, footwear, electric vehicles, auto components, textiles, air conditioners, and agro-chemicals. While India continues to seek higher foreign investment and boost trade, the Modi government remains invested in the ‘self-reliance’ narrative.

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