BASIC ROOTS CONSULTING | SEPTEMBER 2026

India's Toy Revolution

Investment Landscape & Opportunity Playbook

A sector at the intersection of policy-led reforms, export-led growth, and emerging IP creation

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Five Conclusions Before You Read Further

THE INVESTMENT THESIS

1. **The opportunity is export-led, not consumption-led**
   India's most scalable toy companies are building for the US and other developed markets, not just domestic demand

2. **Policy has created the opportunity, but policy alone will not create winners**
   Import duties, BIS certification & National Action Plan for Toys have formalised the market, but company-building still depends on execution

3. **Manufacturing is necessary but not sufficient**
   Manufacturing gets a company into the category, but it does not by itself create long-term moat or premium valuation

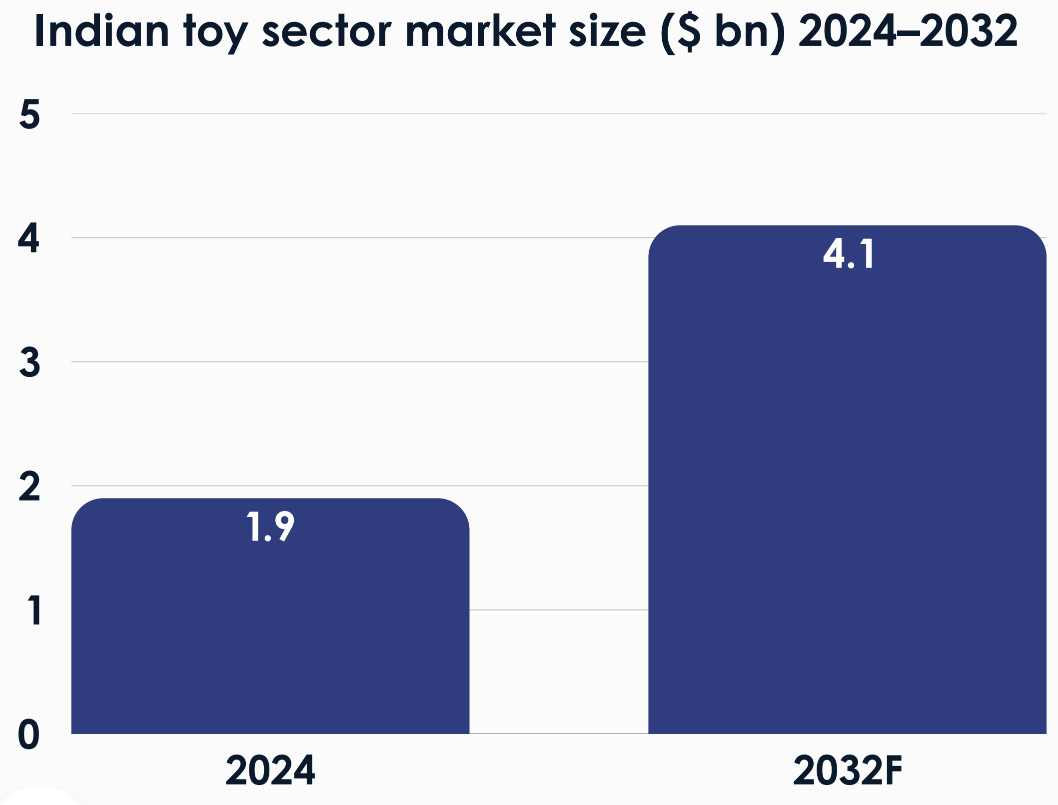
4. **IP and distribution will determine long-term winners**
   Proprietary design, licensing and export distribution matter more than factory ownership alone

5. **Institutional capital is only beginning to discover the sector**
   Capital has flowed into select IP-led and platform models, but the sector remains underpenetrated relative to its potential

India's Toy Industry at a Glance

India's toy industry is entering a decade of structural growth, supported by policy, manufacturing strength and a thriving startup ecosystem

A MARKET GROWING 2x



423 new startups registered in 2024-26 – accounting for **55.7%** of total toy startup registered

Policy push, quality reforms, manufacturing scale & entrepreneurship are coming together to unlock India's toy industry's full potential

INDIAN TOY SECTOR: SNAPSHOT

21,000+
MSMEs

~50
Toy Clusters

1800+
BIS Licenses issued (including 57 foreign)

770+
DPIIT recognized Toy Startups

STATE-WISE DISTRIBUTION OF INDIAN MANUFACTURING FACILITIES

India has a growing but fragmented manufacturing base, with capacity spread across multiple states rather than concentrated in a single toy cluster

Source - 1. FICCI Code 324 refers to Manufacture of Games and Toys in India. 2. ASI – Annual Survey of Industries

The Pitch Everyone Has Already Heard

The conventional story is real - but it is only one part of the opportunity

THE OBVIOUS PITCH

Why the sector looks attractive

- India's young and growing population is expanding the toy consumer base
- Rising household incomes are driving higher spending on children
- Parents are increasingly trading up to premium, branded toys
- Organised retail and e-commerce are expanding access to toys
- Growing awareness of learning-through-play is creating demand for educational toys

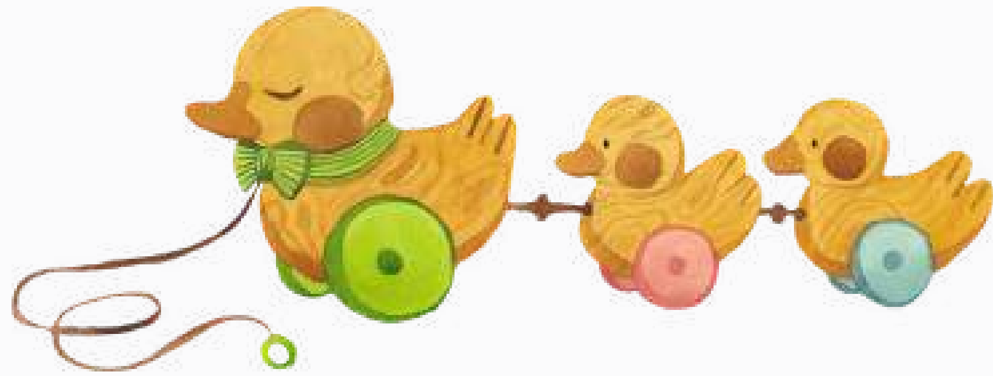
WHY THIS IS NOT ENOUGH

Why it does not determine the winners

Each tailwind expands the market - more consumers, more spending, wider reach - but none of them decides who wins. **That comes down to differentiation and execution, not exposure to growth**

The real investment question is not whether the category will grow - but where sustainable competitive advantage will accrue

A Structural Inflection Point, Not a Cyclical Boom



Policy, quality control, trade barriers and manufacturing readiness converged at the same time

Pre-2014 → **2014–2019** → **2019** → **2020-2021** → **2023-Today**

Pre-2014: Fragmented, import-dependent market

- ~80% of toys imported
- Highly fragmented, price-led industry

2014–2019: Early Make-in-India groundwork

- Toys recognised as a strategic sector
- Exports grew ~2.5x
- Imports began declining

2019: The quality shock begins

- BIS quality reforms introduced
- Domestic manufacturing gained momentum

2020-2021: The real policy reset

- Import duty increased to 60%
- BIS certification made mandatory (QCO)
- National Action Plan for Toys launched

2023-Today: Building for Scale & Exports

- 5% global market share target by 2032
- Import duty increased to 70%
- GST reduced from 12% to 5%

Source: PIB; National Action Plan for Toys, 2020; ISID Working Paper 279 (2024); Angel One/DPIIT, Jul 2026

20% → 60% → 70%
import duty escalation

21
action points / 14 ministries under NAPT*

95%
BIS compliance in 2025 vs 33% in 2019

$96.2M → $384.7M
Exports grew in FY2014-15 in FY2025-26

A decade of policy and industry reforms has moved Indian toys from import dependence toward a more formal, export-ready manufacturing ecosystem

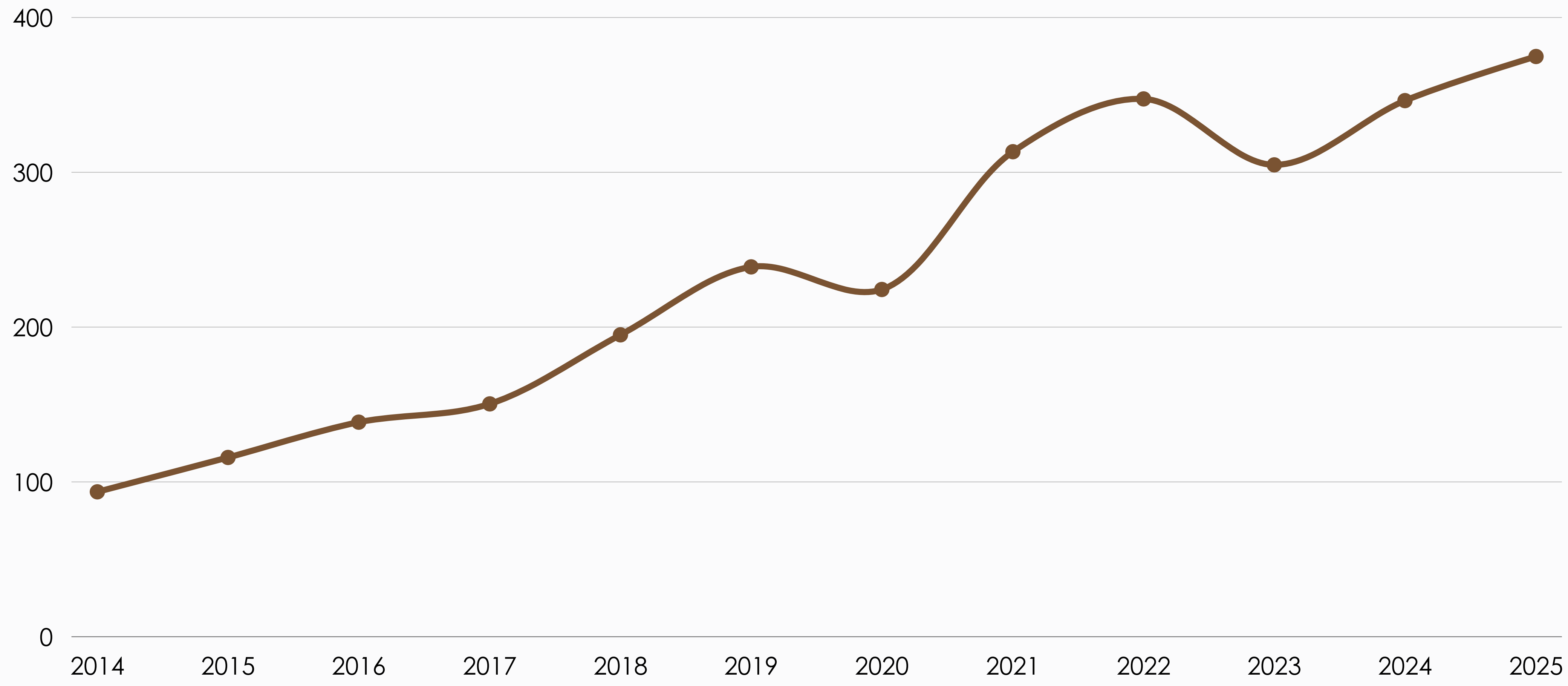
**NAPT - National Action Plan for Toys*

The Story Did Not End With Import Substitution

India's toy industry is now exporting at record levels, proving that policy has translated into globally competitive manufacturing

EXPORTS HAVE QUADRUPLED IN A DECADE

India's Toy Trade Over the Years ($ Mn)



Pre-2018
Import Dependent

2018-2020
Policy Push & Quality Reforms

2021-2025
Export Acceleration & Scale

WHY THIS MATTERS

The market has validated Indian manufacturing

Winning shelf space in developed markets demonstrates quality, reliability and execution - not just low-cost production

Exports create a much larger addressable market

The largest Indian toy companies are no longer constrained by domestic demand; global markets provide significantly greater scale

4x

growth in toys export since 2015

53%

of exports now go to the USA

11%

CAGR in toy exports (FY20-25)

Manufacturing capability has been established. The next phase of value creation lies in brands, IP and global distribution

Source: DGCI&S, Economic Times, Union Budget 2025

India's Toy Opportunity Is Moving Up the Value Chain

As manufacturing capabilities deepen, value creation is shifting toward products, IP, distribution and brands

The opportunity is shifting from building capacity to building differentiated, globally relevant businesses

Where We Are Today

Manufacturing competitiveness established
Policy support has made India a credible global supplier

Export momentum accelerating
Indian toys are reaching global markets and gaining acceptance

Foundation for scale is in place
Capacity, quality standards and compliance have strengthened the industry

Where We Need to Go

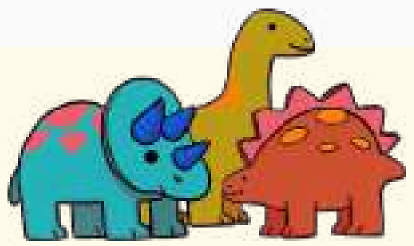
Create Differentiated Products
Move beyond commodity toys to design-led, differentiated offerings

Build Strong Brands & IP
Invest in original IP, characters and brands that own consumer mindshare

Expand Global Presence
Deepen distribution in key markets and diversify across geographies

Build Ecosystem Strength
Strengthen supply chain, tooling, R&D and talent to drive sustainable scale

The foundation is broadening - creating room for a new generation of scaled winners



TOY EVOLUTION JOURNEY GLOBALLY

From **plastic toys** like Barbies & electronic games...

...to today's **digital, eco-friendly & educational play**

HOW WE GOT HERE

1950s-60s	**Rise of Plastic Toys** Barbies, Lego & die-cast cars
1970s-80s	**Electronic Games Arrive** kids' first screens
1990s-2000s	**Collectibles & Gaming** Pokemon, Tamagotchi & video games
Today	**Smart, Green & Educational** Digital, eco-materials & educational toys

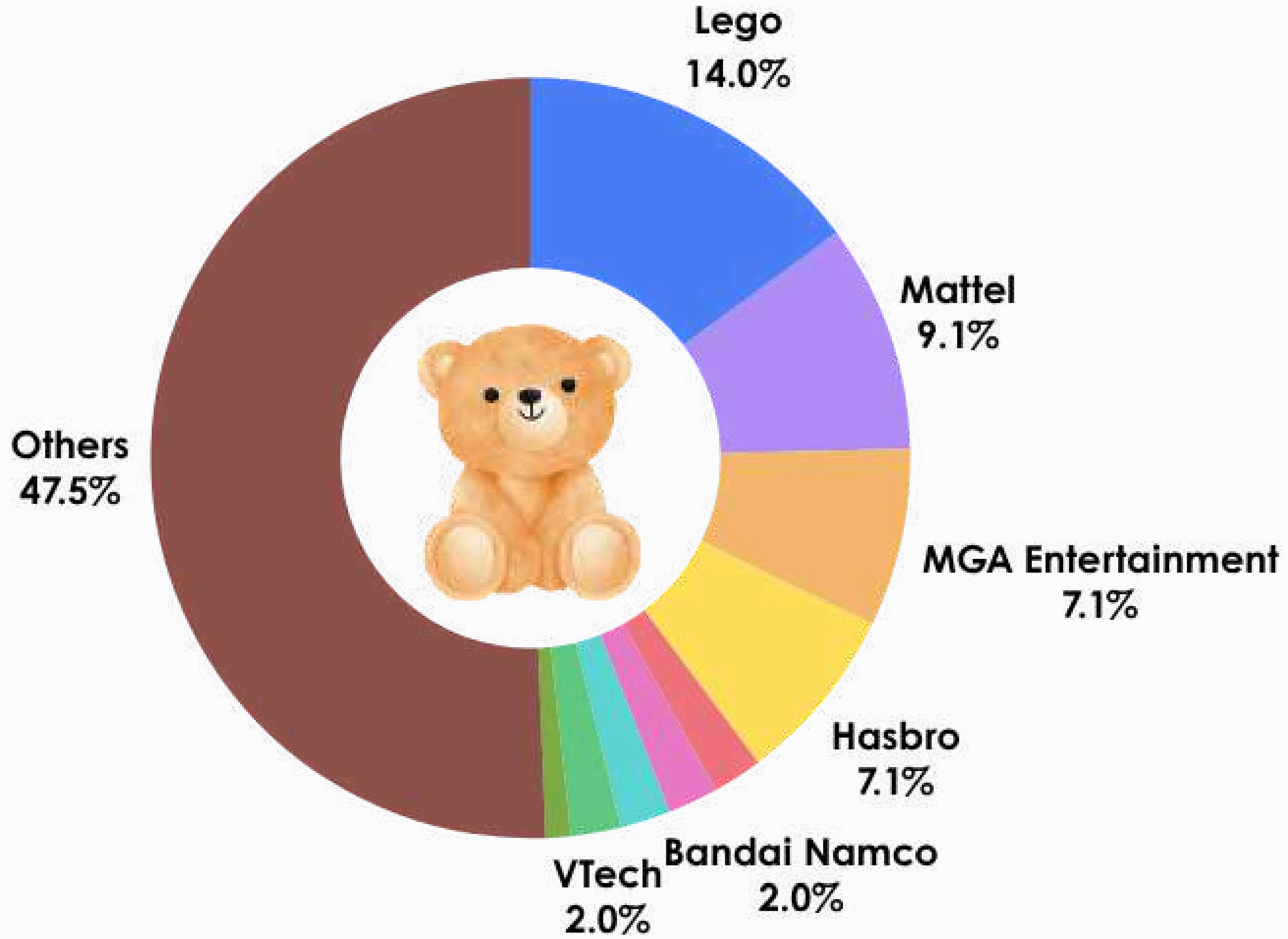
GLOBAL TOYS MARKET CONTEXT

$123 Bn
2025

CAGR: 6%

$203 Bn
2034

KEY PLAYERS AND THEIR MARKET SHARE



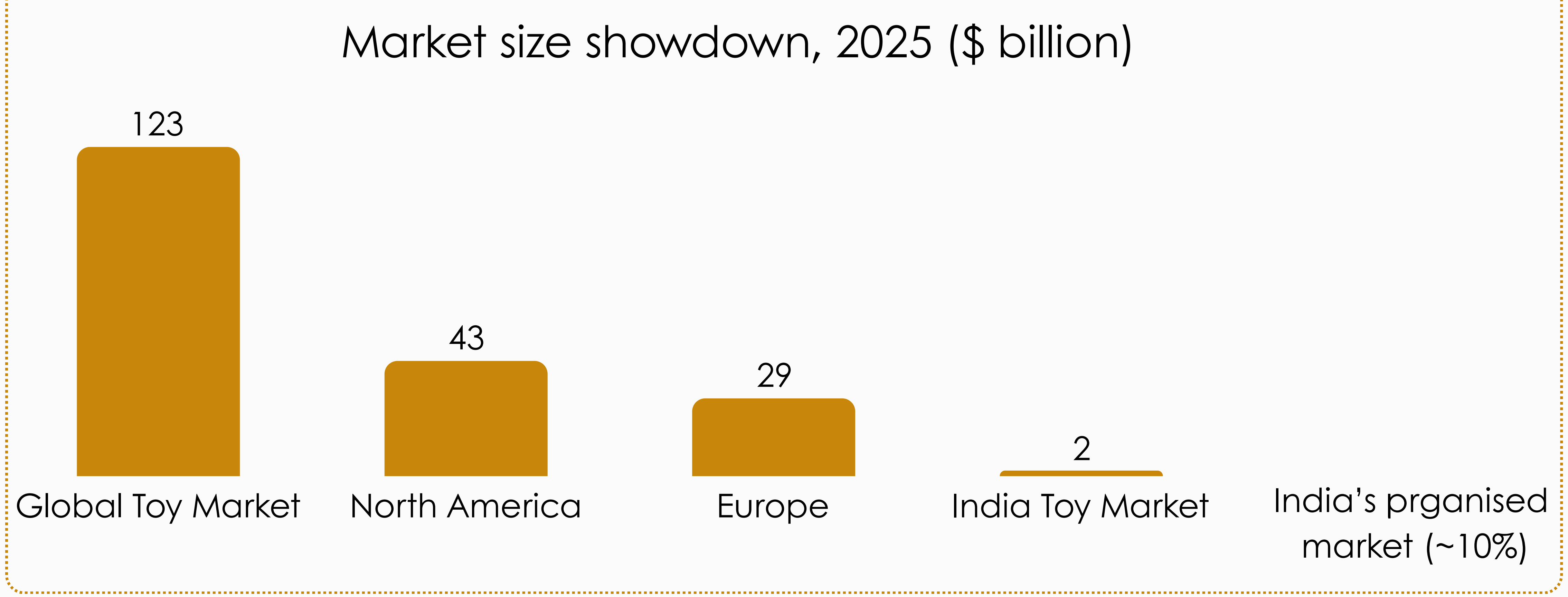
A handful of global leaders anchor the market

The largest players have built scale across established categories including construction, dolls, games, collectibles and electronic toys

Source - K.V Toys DRHP, Readon insights report

The Best Indian Toy Companies Are Not Building for India Alone

India's total toy market is only a fraction of the markets that leading Indian brands ultimately serve, making exports a strategic necessity rather than an option



~10% **of India's Toy Market Is Organised**

Fragmentation limits the ability of branded businesses to achieve meaningful scale solely through domestic demand

10-20x **larger opportunity offered by Global Market**

North America alone is ~20× larger than India's total toy market, creating significantly larger addressable markets and stronger pricing power

India's domestic market is large enough to validate products but not large enough to build globally scaled businesses

The strongest companies use India as a manufacturing base while building brands for significantly larger international markets

Export-First Has Become the Winning Playbook

Several leading Indian toy companies derive a majority of their revenue from international market

Source: https://www.toyassociation.org, North America Toys Market Size & Share, Analysis | 2035

Even the Economics Favour Export-First Businesses

Larger addressable markets, higher purchasing power and concentrated retail make international expansion the most efficient path to scale

10× HIGHER CONSUMER SPEND

$392 vs $39

Annual toy spend per child, North America vs Asia - a 10x gap in the pool of money per child

CONCENTRATED DISTRIBUTION

3 vs 10-12

US distribution channels - 3 Major Retailers

amazon target Walmart

vs India's fragmented channel count

FOUNDER MINDSET HAS CHANGED

Can this product win globally?

Product design increasingly begins with global consumers rather than domestic demand

WHY EXPORT IS A BETTER STRATEGY

- **Larger Adressable Market**
- **Higher Selling Prices**
- **Easier Distribution at Scale**
- **Meaningful Scale**

India can be manufacturing base; Global markets can be the scale engine

Source: BRC primary research, market research article

The Value Chain Tells You Where Not to Compete

Sourcing and tooling are commoditized. Branding, licensing and IP ownership are where margin actually lives

	SOURCING Raw materials & components	**TOOLING** Moulds, design engineering	**MANUFACTURING** Scaled production	**OWN BRANDS** Consumer-facing brands	**LICENSING** Licensed third-party character IP	**DISTRIBUTION** Reach, channel relationships	**RETAIL** Direct consumer access
Gross Margin Profile	Low	10–15%	20–40%	50–70%	60–90%	20–40%	25–45%
Primary Value Driver	Commodity inputs	High capex, project-based	Scale, execution & efficiency	Product differentiation	Access to popular IP / franchises	Channel reach & relationships	Consumer access & data
Indian Players	Resin suppliers, packaging vendors	Tooling vendors	SM Toys, Crio Toys, Bidso, Centy, Aditi Toys, KV Toys	Shumee, Aditi Toys, Mirana, Centy, Miko, PlayShifu, Jack in the box, KV Toys	Mirana, Bidso, Mirada, Funskool	Toyland, Ratna's, Funskool	firstcry.com, Hamleys, amazon, Toys R Us

India has built manufacturing capability; the larger value pool lies in owning the product, IP, brand and route to consumer

How India's Toy Brands Position Themselves

Six marketing baskets - not mutually exclusive, but the lens brands themselves choose to lead with

Non-Toxic / Eco & Wooden

"Safe enough to chew"

Lead with BIS + non-toxic paint, sustainable wood, plastic-free messaging

shumee · WOODBEE TOYS · ariro · Crio Toys · CURIOUS CUB · Little Genius · playbox

STEM / Educational

"Learning through play"

Lead with cognitive development, parent-as-buyer, curriculum tie-ins

CHALK & CHUCKLES · Imagimake · PlayShifu · Smartivity · CLAPSTORE · TOYSHINE · Jack in the box

Cultural / Mythology / Desi IP

"Indian stories, Indian toys"

Lead with heritage, festivals, vernacular storytelling - largely white space

MODI TOYS · Desi Toys · Mythro · FUNSKOOL

Tech-Enabled and AR based

"Screen time with a purpose"

Lead with AR/AI features, app-connected play, edtech crossover

MIRANA · MIKO · PlayShifu · Khilonaghar.com

Mass-Market / Value

"Pocket-money priced, everywhere"

Lead with price + availability over safety or design messaging

SM Toys · webby · Urban tots · TOYZONE · ADITI TOYS · BIDSO

Collectibles / Kidult

"For the adult who still plays"

Lead with drop culture, blind boxes, identity & display value

CRICKET ICONS · Trunkin · centy · Tinion

Categories reflect brand-stated positioning, not certified claims - a brand can occupy more than one basket.

Source: brand websites, FirstCry/Amazon listings, press coverage

Where the Next Winners Are Most Likely to Emerge

STEM and educational are proven categories. Mythology-based IP and premium collectibles show the lowest competitive intensity relative to growth potential

	Market Maturity	Competitive Intensity	Pricing Power	Growth Potential	Market Opportunity
1 STEM / Educational	Mature	High	Moderate	Moderate	Low
2 Mythology / Cultural IP	Low	Low	High	High	High
3 Technology-Enabled	Moderate	Moderate	High	High	Moderate
4 Collectibles "Kidult"	Low	Low	High	High	High
5 Premium Wooden / Heritage	Low	Low	Moderate	Moderate	Moderate

KEY INSIGHTS

STEM & EDUCATIONAL

most validated category, growing at 17.8% CAGR (2024–30), but competition is intensifying.

MYTHOLOGY-LED IP AND COLLECTIBLES

remain underpenetrated, offering stronger pricing power and greater whitespace

SOME PROOF POINTS

Legend of Toys reached ~INR 30 Cr ARR within 18 months with +ve D2C unit economics, signalling that whitespace categories can scale rapidly

Sources: Circana report

The Kidult Era

Adults aren't becoming childish. Adult needs are increasingly being solved by playful, tactile, identity-driven products.

THE GLOBAL PROOF

$1.8Bn

Adult toy spending in the US in Q1 2025

43%

of US adults bought a toy for themselves in the past year

1/3rd

of LEGO's $13B revenue comes from adults

Pop Mart - built entirely for adults -

$5.4B revenue · +185% YoY · $30B market cap

Larger than Mattel + Hasbro + Sanrio combined

WHY ADULTS ARE BUYING TOYS

NOSTALGIA

Familiar characters and childhood franchises create an emotional reason to buy

COLLECTING

Limited editions, rarity and repeat purchases turn toys into a hobby rather than a one-time purchase

SELF-EXPRESSION

Design-led collectibles increasingly function as objects of identity, display and personal taste

INDIA: A LARGE WHITE SPACE IN A VALIDATED GLOBAL TREND

GLOBAL MARKET — *Validated demand*

LEGO · POP MART · Funko · BANDAI NAMCO

Global brands have built strong businesses around adult consumers

INDIA TODAY — *Emerging demand*

- **Growing collector community**
- **Indian characters & IP potential**
- **D2C & community -led brands**

Global markets have validated adult demand for toys; India is only beginning to build the category

Sources: Circana report; POP MART – 2024 Annual Report; Economic Times

Capital Is Arriving, Unevenly

Consumer brands and manufacturing platforms are attracting cheques; pure manufacturers waited a decade for their first one

Company	Total Fundraise	Key Investors
Miko	$102M	IvyCap, Chiratae Ventures, YourNest
PlayShifu	$35.8M	Inflexor, Chiratae Ventures, Bharat Innovation Fund, Athera
Skillmatics	$23.8M	Sofina, Peak XV Partners, Patni Wealth Advisors
SM Toys	~$13M	Girik Capital, Abakkus, Sixth Sense Ventures
BIDSO	~$7.7M	Blume Ventures, PeerCapital, Sadev Ventures
Aditi Toys	~$3.9M	GVFL
Legend of Toys	~$3.9M	Singularity, Veltis Capital, Enzia Ventures

Capital is not flowing evenly across the toy value chain

Investors are backing businesses that own differentiation, build brands or enable scalable manufacturing, while traditional manufacturing remains largely underfunded

The Opportunity Is to Build a Scaled House of Toy Brands

Multiple category leaders can share the same operating backbone - creating scale without forcing every brand to build the entire value chain independently

THE MODEL
CATEGORY BRANDS

Educational | Plush | Collectibles | Board Games | Licensed IP

SHARED OPERATING BACKBONE

- Strategic Sourcing
- Manufacturing at Scale
- Centralised Warehousing
- Logistics & Distribution

SCALED HOUSE OF BRANDS

Stronger brands, better margins, faster innovation, and durable scale

WHY A PLATFORM MODEL?

1. **Shared infrastructure**

   Avoid duplicating manufacturing & distribution capabilities across brands

2. **Faster brand scaling**

   Plug emerging brands into an existing operating network to accelerate growth

3. **Portfolio diversification**

   Build exposure across multiple toy categories and consumer segments

Indian toy companies today have built pieces of the value chain -

but no scaled platform has yet brought multiple brands, categories and shared infrastructure together

Before You Write the Cheque

what every investor must stress-test in India's toy sector

Policy

The moat is borrowed, not built

70% import duty created the opportunity - but policy can reverse. Ask: what's the competitive advantage when duty normalises?

Ask: What happens to unit economics at 30% duty?

Competition

Vietnam & Mexico are catching up

India's labour cost edge is real but not permanent. Vietnam already has stronger export infrastructure. The window is 5-7 years

Ask: Why India, not Vietnam, for this category?

IP & Brand

No IP = no defensibility

Physical toys are easily cloned. Without licensed IP, a strong character, or a patent - they are selling a commodity. Counterfeiting is rampant

Ask: What stops a copycat in Dharavi?

Tech Shift

Screens are the real competition

Time-on-toy competes with YouTube, Roblox & gaming. Digital toys are a growth category - but require tech capability most Indian MSMEs lack

Ask: How does the product win attention vs a screen?

Innovation

Design & R&D is a critical gap

India has manufacturing muscle but limited design capability. Without R&D, the industry stays in low-margin, white-label territory

Ask: Where does new product innovation come from?

ESG

Sustainability is no longer optional

EU & US retailers are enforcing eco-compliance. Plastic-heavy supply chains face delisting risk. Early movers on sustainable materials win shelf space

Ask: What's the materials roadmap for 2027?

PlayShifu - Building a Global Phygital Toy Platform from India

Combining physical play, technology and content to create differentiated educational experiences for children

PHYSICAL
Tactile toys & game systems

ORBOOT | PLUGO | TACTO

DIGITAL
AR + proprietary content

Apps, interactive experiences and learning content

SCALE BUILT OVER TIME

- **2016** founded
- **₹100 Cr+ FY25** revenue
- **1M+** units sold globally
- **40 countries** reached
- **$36M** total funding raised
- **Investors**: Chiratae Ventures, Inflexor Ventures, Bharat Innovation Fund

WHY THE MODEL WORKED

PRODUCT MOAT

Physical + digital experience creates differentiation

PlayShifu does not compete purely on toy design. Its products combine physical interaction with AR, apps and proprietary learning content.

GLOBAL FROM DAY ONE

India was the base; the market was global

Amazon enabled early international expansion, while partnerships with retailers like Walmart/Sam's Club, Toys"R"Us and Hamleys accelerated reach.

PLATFORM, NOT A SINGLE SKU

One technology layer supports multiple learning categories

Orboot, Plugo and Tacto allow the same proposition to scale across geographies and themes - STEM, coding, maths, music and games.

THE INVESTMENT LESSON

The value was not in making another toy - it was in owning the experience around the toy and taking it global

Einstein Box - Design-Led, Export-First Toy Building

An export-first toy company built around proprietary design, IP and learning experiences

DESIGN & IP

IP-Led Learning Products

Builds activity kits, games, books and learning products under the Einstein Box brand

LEARNING THROUGH PLAY

Age-specific, curriculum-aligned

Concepts developed with teachers & customers

SCALE BUILT OVER TIME

- **2012** founded
- **₹51 Cr** FY25 revenue
- **~90%** revenue from the US
- ~$0.5M funding from angel investor Ranjana Bhasin

WHY THE MODEL WORKED

PRODUCT MOAT

Focused on learning through play

Invests in concepts, design, storytelling and learning experiences

EXPORT FIRST

Designed in India; scaled globally

~90% of revenue comes from the US; uses retail and trade-fair channels to build international presence

IP ACROSS PRODUCTS

One design engine; multiple products

Einstein Box spans multiple age groups and learning themes across 28+ kits

THE INVESTMENT LESSON

Metis shows that the real value in toys can sit beyond manufacturing - in design, IP and distribution

BIDSO - Moving Toy Manufacturing Up the Value Chain

An export-first toy company built around proprietary design, IP and learning experiences

DESIGN & ENGINEERING

From concept to production-ready product

End-to-end product development capabilities from design, engineering to tooling and precision manufacturing

LICENSED IP PORTFOLIO

Global characters into locally made products

- **Peppa Pig**
- **NASA**
- **Hello Kitty**
- **Harry Potter**
- **Transformers**
- **Chota Bheem**

SCALE BUILT OVER TIME

- **2022** founded
- **₹42 Cr** FY25 revenue
- **~$8M** total funding raised
- **Investors:** Blume Ventures, PeerCapital, Sadev Ventures

WHY THE MODEL WORKED

DESIGN, NOT JUST PRODUCTION

Owns the product layer before the factory

In-house design, engineering and tooling enable faster development, customisation and cost control

DIFFERENTIATION

Licensed characters unlock new product opportunities

Peppa Pig, Harry Potter, Transformers and NASA enable recognisable, premium products

FACTORY COLLABORATION

Scale capacity without owning every factory

network of manufacturing partners enables faster expansion with lower capex

THE INVESTMENT LESSON

BIDSO shows that the value in toy manufacturing is moving beyond factory capacity - towards owning design, IP and the ability to scale production flexibly

Skillmatics – Building a Global Learning Brand from India

Turning learning into play through differentiated games, products and scalable distribution

PRODUCT & IP

Learning-led games and activity products

Built around repeatable play formats across multiple themes, age groups and learning needs

GLOBAL DISTRIBUTION

Designed for global consumers from day one

amazon | target | Walmart | Physical Retail

From online-first to presence in major retail chains across the US and 30,000+ locations today

SCALE BUILT OVER TIME

- **2016** founded
- **₹100+ Cr FY25 revenue**
- **~$24M** total funding raised
- **Investors:** Peak XV Partners, Patni Wealth Advisors, Surge Ventures
- Present in 20,000+ retail outlets in the US (2024)

WHY THE MODEL WORKED

PRODUCT MOAT

A simple format that can be replicated across themes

Games such as Guess in 10 extends across multiple themes, enabling efficient SKU expansion

GLOBAL FROM DAY ONE

Built in India, scaled through global retail

Expanded from marketplaces into Walmart, Target and other international retailers

ONE PLAY ENGINE, MANY PRODUCTS

One core proposition supports a broad portfolio

The same learning-through-play engine extends across games, activities and age groups

THE INVESTMENT LESSON

The opportunity is not one winning toy - it is building a repeatable play platform that can scale across products, themes and markets

Aditi Toys – From Manufacturing Scale to Brand Ownership

Vertically integrated manufacturing creates the foundation for OEM scale, product breadth and an emerging consumer brand

VERTICALLY INTEGRATED MANUFACTURING
From design to finished product

- In-house R&D & design
- Tooling & moulding
- Assembly & precision manufacturing

225,000+
sq. ft. facility

280+
SKUs

OWN BRAND + OEM PLATFORM
Scale across multiple demand pools

CHANAK
THE SMARTEST KID

OEM
+
Private Label

SCALE BUILT OVER TIME

- **2015** founded
- **₹69 Cr FY25 revenue**
- **~$4M** total funding raised
- **Investors:** GVFL

WHY THE MODEL WORKED

VERTICAL INTEGRATION

Controls the product from design to production

In-house R&D, tooling and manufacturing enable faster development, tighter quality control and greater flexibility

OEM SCALE + OWN BRAND

Manufacturing scale supports brand creation

OEM and private-label demand provides scale, while Chanak creates an owned consumer brand with direct brand equity

MADE IN INDIA → GLOBAL

A domestic manufacturing base built for global demand

Existing capabilities and quality certifications allow Aditi to serve international customers while expanding its own brand overseas.

THE INVESTMENT LESSON

Aditi Toys shows how manufacturing can evolve from a capacity business into a broader toy platform -combining OEM scale, vertical integration and brand ownership to capture more value across the chain

What Will Separate the Winners from the Rest

Our view on the capabilities that will matter most as India's toy industry scales

1 BUILD THE BRAND, NOT THE FACTORY

Treat manufacturing as an enabler of scale - not the primary competitive moat

2 OWN WHAT CANNOT BE COPIED

Build proprietary IP, characters, content or storytelling that competitors cannot replicate simply by matching the product.

3 THINK GLOBAL FROM DAY ONE

Design products and distribution with international markets in mind early, not as a later growth lever

4 BUILD FOR INSTITUTIONAL CAPITAL

Put governance, reporting and financial discipline in place well before a fundraise, strategic transaction or exit.

The next generation of toy winners will build differentiated brands and IP, think beyond India, and institutionalise early to scale sustainably

basic roots consulting

MAKING BUSINESSES BETTER

Thank You

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