

Uttar Pradesh Toy Manufacturing Promotion Policy-2025

1 Background

Uttar Pradesh has a rich heritage of traditional toy-making, cultural legacy and an abundance of natural resources. With over 230 export-oriented Micro, Small, and Medium Enterprises (MSMEs) and around 200 million consumers, Uttar Pradesh is established as one of the largest consumer markets in the country. Rapid industrialization through initiatives such as Metro Rail, Agra-Lucknow Expressway, IT City, IT Park, Purvanchal Expressway, Bundelkhand Expressway, Ganga Expressway, dedicated manufacturing clusters and industrial areas have made a significant contribution to the overall development of the State.

The proposed Toy Manufacturing Promotion Policy aims to create new employment opportunities, provide alternatives to imports and promote the export of toys manufactured in Uttar Pradesh.

Currently, toy manufacturing units are mostly unorganized, leading to stagnant growth. The Government of Uttar Pradesh intends to provide the necessary infrastructural support and a favorable environment to encourage both domestic and international toy manufacturers and supporting industries to set up more units and generate investments and employment in the state.

The proposed Toy Manufacturing Promotion Policy will be applicable across the entire geographical area of the state to facilitate the growth of the toy industry.

2 Industry Overview

2.1 Global Scenario

The global toy industry, currently valued at USD 107.4 billion (2023), is poised to grow to USD 137.6 billion by 2028, registering a robust CAGR of 5.2%. Driven by evolving consumer preferences, the sector is witnessing increased demand for STEM-based educational toys, sustainable and eco-friendly products which now accounts for over 20% of global toy sales. China remains the undisputed global leader, accounting for over 70% of toy exports globally, followed by Germany, the United States, Czech Republic and Vietnam. At the same time, advanced economies such as the US and EU are implementing stricter regulatory frameworks, with an emphasis on product safety, chemical compliance and child-friendly innovation. Simultaneously, technological integration such as AR/VR, smart toys and digital gaming convergence is reshaping traditional notions of play.

2.2 Toy Industry in India

India, while historically reliant on toy imports especially from China is undergoing a strategic transformation. The domestic market was valued at USD 1.5 billion in 2022 and is expected to grow to USD 2.73 billion by 2028 at a CAGR of 10-12%, making it one of the fastest-growing toy markets globally. Import volumes, once overwhelmingly dominated by China (contributing ~75%), have declined significantly following targeted interventions, including higher import duties (up to 60%), mandatory BIS certification and the Toy Quality Control Order (2021). Between 2013 and 2022, India's toy exports grew by 239%, reaching approximately USD 325 million in 2022, with key export destinations being the USA, UK, UAE and the Netherlands.

2.3 Toy Industry in Uttar Pradesh

The districts of Jhansi (Soft Toys), Varanasi (Wooden Toys) and Gorakhpur (Terracotta) have traditional toy manufacturing clusters. Additionally, Noida is emerging as a preferred location for toy-based manufacturing industries due to its geographical advantage and supporting ecosystems in NCR. Government interventions such as the National Toy Action Plan, development of toy clusters under the SFURTI scheme and the establishment of dedicated industrial zones like the YEIDA Toy Park in Uttar Pradesh are catalyzing domestic manufacturing. The “Vocal for Local” movement and potential inclusion of toys in the PLI (Production Linked Incentive) scheme further signal a policy shift towards self-reliance and global competitiveness.

Uttar Pradesh, in particular, has emerged as a major toy manufacturing hub, contributing nearly 50% of India’s festive article (HS 9505) exports. Districts like Varanasi, Jhansi and Chitrakoot have gained prominence for their GI-tagged lacquerware and handcrafted wooden toys, generating significant employment for artisans, women and rural communities. The state’s integration of infrastructure, training and export enablement offers a replicable model for inclusive, artisan-led industrialization.

Source-

1. Statista (2024), Global Toy Market Size & Forecast
2. The Toy Association (2023), U.S. & Global Consumer Trends
3. ITC Trade Map (2023), Global Export Rankings by Country
4. Statista (2024), India Toy Market Valuation & CAGR
5. EXIM Bank of India (2024), HS Code 9505 Export Share by State

3. Need for a Comprehensive Toy Manufacturing Policy

Currently, this industry is mostly unorganized. A cluster development approach is needed to promote the industry, which would also allow for creating specialized toys

like educational toys, silicon-based or new product-oriented toys and locally designed toys.

This policy is aimed at supporting the development of clusters, which will enable systematic growth of the industry.

Key Policy Features:

3.1 Production Rate and Diversification

(a) In the electronic toy segment and especially in battery-operated toys, the share of Indian toy manufacturers is very low. Most of such toys are imported from China, which currently accounts for nearly 50% of the total toy market in India.

(b) Due to the lack of high investment in design and innovation, Indian toy manufacturers are unable to develop new types of toys in an organized way and are not able to launch new products.

3.2 Production Process and Design

(a) Most toy manufacturers in the MSME sector do not have access to qualified designers for conducting R&D, developing prototypes and innovating the production process in collaboration with proper setups like CAD/CAM tools and other software-based systems.

(b) To design new types of toys, external professional design support is heavily needed by Indian toy manufacturers. However, they struggle to access services offered by institutions like IIT, NIFT, NID, etc., at an individual level. It is very difficult for them to avail design services from such institutions.

3.3 Raw Material Availability

Most toy manufacturers generally require a **small quantity of plastic raw material per truck/container**, which they are **unable to purchase directly** from the market in bulk.

As a result, they buy **plastic granules** from **local intermediate manufacturers or traders**. They are **not even able to import** the material directly and are forced to **procure it in smaller quantities at higher prices** from the open market.

3.4 Skilled Workforce

In India, the toy manufacturing industry along with toy producers faces a significant shortage of skilled and trained manpower such as machine operators, mold designers and manufacturers. This makes it very difficult to sustain the industry. Generally, most toy manufacturers employ low-skilled or unskilled workers and also provide them with training. This increases the production cost and also impacts the quality of production.

3.5 Market Access

(a) Participation of MSME toy manufacturers in international toy fairs/exhibitions is very limited and challenging. Therefore, most of them (approximately 95%) do not participate in international toy fairs/exhibitions. This limits the export opportunities for Indian-made toys.

(b) In terms of marketing, even now, most MSME toy manufacturers have not adopted online marketing through their websites or other web portals, whereas China dominates toy marketing through these channels. Therefore, there is a need to adopt online marketing here as well.

4. Vision, Mission, and Objectives

4.1 Vision

- To promote toy manufacturing and marketing as a major growth driver for the development of Uttar Pradesh through the effective use of skilled, semi-skilled and unskilled manpower.
- To encourage innovation and the use of emerging technologies.
- To develop efficient infrastructure and sustainable support systems that contribute to balanced and inclusive development in the state and the national economy.

4.2 Mission

- To develop an enabling environment for the growth of the toy manufacturing industry in the state by providing required infrastructure and making Uttar Pradesh the most preferred investment destination for toy manufacturing.
- To develop a world-class ecosystem for research & development, production, design, testing, and manufacturing of toys in the state.
- To create additional employment opportunities and develop skills within the toy clusters in the state.
- Inspired by the Uttar Pradesh Leather and Footwear Policy 2025, this policy aims to promote Anchor projects in Toy Manufacturing sector.

4.3 Objectives

- To promote and establish toy manufacturing Units and Anchor projects.
- To attract maximum investment in toy manufacturing zones in the state.
- To encourage the establishment of supporting industries related to toy manufacturing.
- To increase employment opportunities and entrepreneurship in the state.
- To promote sustainable and inclusive development with environmental conservation in mind.

- To strengthen the 'Atmanirbhar Bharat' (Self-Reliant India) initiative.

5. Policy Goals and Implementation Strategy

5.1 Policy Goal

- The goal of this Policy is to develop Uttar Pradesh as a toy manufacturing hub by incentivizing toy manufacturing units through incentive-based framework.

5.2 Implementation Strategy

- To provide land and infrastructure for the expansion and technological advancement of existing industries.
- To encourage setting up of industries in Purvanchal, Bundelkhand, and Madhyanchal regions by providing special incentives.
- To provide financial incentives for investment for the Toy Manufacturing Units.
- To assist in the establishment of new enterprises and to support existing ones, including MSMEs and Large Industries.

5.3 Administrative Control

- The implementation of this policy will be managed by the Department of Micro, Small and Medium Enterprises, Government of Uttar Pradesh.
- The incentives will be provided to Toy Manufacturing Units categorized as Micro, Small, Medium (as per the MSME Classification) and Large and above, or to Toy Cluster Enterprises.

Criteria	Micro Enterprise	Small Enterprise	Medium Enterprise
Investment in Plant and Machinery or Equipment	Not more than ₹2.5 crore	Not more than ₹25 crore	Not more than ₹125 crore

Turnover	Not more than ₹10 crore	Not more than ₹100 crore	Not more than ₹250 crore
Eligible Investment Period (EIP)	As defined in the clause 7.3 of Uttar Pradesh Micro, Small and Medium Enterprises Promotion Policy - 2022		

Large and Above Category Units

Criteria	Large and Above Category Units
Fixed Capital Investment	Above ₹125 crore
Turnover	Above ₹250 crore
Eligible Investment Period (EIP)	4 years

6. Definitions

6.1 Toy means “an object for children to play with “ and Convention on the rights of the Child, Article 1# defines child as “ a child means every human being below the age of eighteen years unless under the law applicable to the child, majority is attained earlier. The following is the indicative list of category of Toys that will be covered under the policy:

- Dolls, soft toys
- Electronic & battery-operated toys, Augmented reality (AR) & Virtual reality (VR) toys
- STEM toys, interactive plush toys, Puzzle and brain teaser toys
- Mechanical toys, ride on toys
- Traditional Toys made of wood and Terracotta

6.2 Anchor Project:

Anchor Project means a project having a minimum Fixed Capital Investment of ₹150 crore in the toy manufacturing sector and fulfilling at least one of the following conditions:

- (a) Employment of 20 persons for every ₹1 crore of investment.

(b) The unit should be a joint venture with foreign toy manufacturing companies, enabling it to benefit from their technological expertise, large-scale development in production, access to new markets, etc.

6.3 Fixed Capital Investment for Large and Above category project

The investment made during the **Eligible Investment Period** in land, building, plant, machinery, equipment, and other such permanent physical assets that are essential for the final production will be considered as **Fixed Capital Investment**. For the calculation of fixed capital investment, the following components will be considered:

(a) Land:

The cost of land will be calculated based on the actual purchase price excluding stamp duty and registration fees as per the registered sale deed.

In case, the land is allotted by Uttar Pradesh State Industrial Development Authority (UPSIDA) or any other State Govt. Agency, the actual allotment price paid shall be considered as the cost of land (excluding Stamp Duty & Registration Charges). Similarly, if land is taken on lease from any private party, the actual allotment price paid shall be considered as the cost of land (excluding Stamp duty & registration charges).

In case of land on lease from private parties, the lease period should be valid for at least 3-years beyond the Eligible Incentive Period.

(b) Building:

Building refers to newly constructed buildings (including sheds) that are essential and actually constructed for the project:

- Buildings constructed for the installation of plant and machinery.
- Buildings constructed for research and development activities.

- Buildings constructed for in-house testing facilities.
- Other buildings directly related to warehousing and manufacturing activities.

(c) Plant and Machinery:

- Plants and machinery include dies, molds, and other machinery used in the manufacturing of products.
- The cost of installation and electrification of the plant and machinery will also be included.
- The electrification cost will cover all stations and transformer costs.

The following expenses will also be included under plant and machinery:

- Plant for non-conventional energy production.
- Vehicles and material handling equipment used within the factory premises for internal transport.
- Captive power plants/co-generation units for power production.
- Plant for water treatment.
- Equipment for pollution control, including collection, treatment, and disposal of solid, liquid, or gaseous waste.
- Safety and fire protection systems.

(d) Infrastructure Facilities:

Infrastructure facilities include new roads, sewer lines, water supply systems, electricity lines, railway sidings (if required for the unit's operation), which directly connect the unit to the main infrastructure network.

In addition, the establishment of Captive Treatment Plants (CTPs), Captive Power Plants (CPPs), Transformers and Power Feeders will also be considered infrastructure facilities.

(e) Ineligible Capital Investment includes working capital; goodwill; preliminary and pre-operative expenses; capitalized interest; expenses capitalized in the books for acquisition of technology/technical know-how; consultancy charges; royalty; design and drawings; patents; licenses; software and intellectual property rights; and power generation, except captive use as specified under the Plant & Machinery head of the Uttar Pradesh Industrial Investment & Employment Promotion Policy, 2022. The aforesaid heads shall not be included while calculating capital investment.

(f) Individual toy manufacturing enterprises, the maximum eligible component of Land and Building in the total fixed capital investment will be restricted to 30%.

(g) 'Expansion/diversification' refers to such units, which increase their gross block by at least 25% as on first date of Investment, by way of fresh capital investment, for example, purchasing of new machinery/plant for diversification, setting up new production line and purchase of land/building needed for the new production line. In case of expansion/diversification projects, only the incremental investment will be eligible for incentives.

(h) Diversification means where an existing Industrial Undertaking manufactures an entirely distinct product (and not merely a variant of existing product).

7. Policy Validity and Review

- The UP Toy Manufacturing Promotion Policy 2025 will be effective from the date of issuance of the government order for 5 years.
- During the implementation period of the policy, the Government of Uttar Pradesh may review the provisions of the policy based on the outcomes and may amend, revise, or introduce new provisions as required.
- Toy manufacturing units that commence their commercial production within the validity period of this policy or submit proof of investment in fixed capital during this period will be eligible to claim benefits under this policy.

8. Incentives:

Following Incentives will be applicable to the Large and above category toy manufacturing unit as defined in the clause 5.3 of the policy

8.1 Financial Incentives for Toy Manufacturing Units under Large and above category

S.No.	Description	Gautam Buddha Nagar and Ghaziabad	Rest of Uttar Pradesh (Excluding Gautam Buddha Nagar and Ghaziabad districts)
8.1.1	Capital Subsidy	Capital Subsidy of 10% on Plant and Machinery, up to a maximum limit of ₹20 crore, will be provided in 3 equal installments after commencement of commercial production.	Capital Subsidy of 30% on Plant and Machinery, up to a maximum limit of ₹35 crore, will be provided in 3 equal installments after commencement of commercial production.
8.1.2	Stamp Duty	For the establishment of individual toy manufacturing or supporting units, stamp duty reimbursement will be provided in the form of stamp duty exemption. Under this exemption, 0% Stamp Duty Exemption will be provided in Gautam Buddha Nagar and Ghaziabad districts, while 100% Stamp Duty Exemption will be provided on the purchase or lease of land in the rest of Uttar Pradesh. The minimum lease period shall be 3 years beyond the maximum admissible incentive period.	
8.1.3	Patent Registration Incentive	To encourage research and development, 75% of the actual filing cost for domestic patents (maximum ₹5 lakh) and a one-time capital subsidy of up to ₹10 lakh for international patents will be provided.	
8.1.4	Electricity Duty Exemption	Toy manufacturing units established in the state will be exempted from Electricity Duty for 10 years.	

8.1.5	Land Use Conversion Fee Exemption	100% exemption on Land Use Conversion Fee will be provided for establishing toy manufacturing/supporting units.	
8.1.6	Power Tariff Subsidy	A subsidy of ₹2 per unit for 5 years after commencement of commercial production will be provided on electricity purchased from a licensee utility. The maximum limit of this subsidy will be ₹60 lakh per annum per unit. Power consumed from the unit's own captive power plant or electricity purchased through open access will not be eligible for Power Tariff Subsidy.	
8.1.7	ESI & EPF Reimbursement (Employer's Contribution)	After commencement of commercial production, units providing employment to Uttar Pradesh-domiciled professionals for a minimum continuous period of one year will be provided 100% reimbursement of the total Employees' Provident Fund (EPF) amount paid by them. The reimbursement will be limited to a maximum of ₹1,000 per employee per month and a maximum of ₹5 crore per unit.	
8.1.8	Marketing Promotion Subsidy	For participation in fairs/exhibitions organized within the country or abroad, 75% reimbursement of stall charges will be provided, subject to a maximum of ₹50,000 for each fair held within the country and ₹2,00,000 for each fair held outside the country.	
8.1.9	Incentive for Quality and Testing / BIS Certification	In the toy manufacturing sector, after commencement of commercial operations, a reimbursement of ₹1,00,000 per unit per year will be provided against expenditure incurred on export audits or equivalent testing for promoting compliance by operational units.	In the toy manufacturing sector, after commencement of commercial operations, a reimbursement of ₹1,50,000 per unit per year will be provided against expenditure incurred on export audits or equivalent testing for promoting compliance by operational units.
8.1.10	Under the Toy Industry Promotion Policy, the establishment of Research & Development (R&D) and design laboratories in the private sector will be encouraged to improve quality and testing standards. These units will develop new prototypes based on modern research and after reimbursement of the applicable		

usage/development charges, make such prototypes, designs and patterns available to industrial units.

Such units may be established by private institutions, government sectors, or in collaboration with technical colleges and design institutes. All toy manufacturing units and R&D laboratories in the state will be brought onto a common platform to enable development of a centralized toy testing system.

All admissible incentives and facilities specified in the policy will also be provided for the establishment of these R&D and design laboratories.

Note:

No unit shall receive financial incentives exceeding 100% of the total fixed capital investment.

8.2 Special Incentive Package for Anchor project

Anchor Units established under the Anchor Projects defined above will be provided the following Front-End Land Subsidy, over and above the admissible package for Large and above category defined in Clause 8.1, for land allotted by an Industrial Development Authority (IDA):

- a) **Paschimanchal** (excluding Gautam Buddha Nagar and Ghaziabad): Land subsidy at the rate of 20%.
- b) **Madhyanchal**: Land subsidy at the rate of 30%.
- c) **Bundelkhand and Purvanchal**: Land subsidy at the rate of 40%.

Companies or entities receiving Front-End Land Subsidy shall furnish a Bank Guarantee (BG) equivalent to the amount of Front-End Land Subsidy received on the land allotted by the concerned Industrial Development Authority (IDA) of the State. The Bank Guarantee shall be made in favour of the Chief Executive Officer (CEO) of the concerned Industrial Development Authority (IDA). The validity of the Bank Guarantee

shall be 4 years or until the date of commencement of commercial operations (i.e., the date on which the first sales challan/sales invoice is issued), whichever is earlier.

Ancillary Units under the Anchor Project will be eligible for incentives as per Clause 8.1.

8.3 Special Incentive Package for Toys made of Bioplastic/ Biodegradable Toys

New / Expansion / Diversified Toys Manufacturing Unit producing 100% toys with the Biodegradable plastic / Bioplastic will be given additional incentive as mentioned in the clause 8.1 & 8.2. With an overall increase of 10% over the 100% limit of Fixed Capital Investment.

9. Policy Implementation:

- To achieve the objectives of this policy, various investment promotion incentives and tax exemptions will be provided to new industries, while expansion support will be provided to existing industries.
- The policy would be effective from the date of promulgation and would be effective for five years from promulgation or till the government promulgates a new policy.
- The target for providing these incentives is to cover new toy manufacturing units, as well as the Expansion/Diversification of existing units within the state.
- The Department of MSME and the Nodal Agency will periodically review the expansion and the amount of financial incentives mentioned above during the validity period of this policy and make necessary decisions accordingly.
- The Toy Manufacturing Unit qualifying under the MSME Category will avail incentives under the relevant category of the UP Uttar Pradesh Micro, Small and Medium Enterprises Promotion Policy - 2022 and its successor policy in case the said policy terminates.

- If any investor qualifies for additional incentives under multiple categories, the investor will only be eligible for incentives under one category as per their choice.
- Both expanding / diversified and newly established units under Large and above category will be eligible to avail incentives as per Section 8.1, 8.2 & 8.3 of this policy.
- The Front-End Subsidy under Clauses 8.1.2, 8.1.5 and 8.2 may be provided to eligible Toy Manufacturing Units at the beginning of the incentive period.
- The incentives under Clauses 8.1.1, 8.1.3, 8.1.4, 8.1.6, 8.1.7, 8.1.8, 8.1.9 and 8.1.10 will be provided after commencement of commercial production.
- Existing toy units will be provided financial incentives for technological upgradation.
- To reduce regional disparities, the incentives provided for units established in Bundelkhand and Purvanchal districts will be higher compared to other regions of the state.
- Projects availing incentives under this policy will not be eligible to avail incentives under any other policy of the State Government. However, all incentives specified in this policy may be availed in addition to incentives available under any Government of India scheme/policy.
- The calculation of eligible investment period would be done from the date of the promulgation of the policy. The units would have to commence commercial production within the eligible investment period. Any past investment in land by new units or part construction cost would not be considered as eligible fixed capital investment. Only the investment made during the effective duration of the policy would be considered as eligible fixed capital investment.
- To obtain financial assistance under this policy, an eligible unit under the Micro, Small and Medium category shall apply online. The applicant will also be able to track the status of the application online. For this purpose, the website of the Directorate of Industries shall be modified as required. To avail benefits under

the policy, units shall submit applications to the Deputy Commissioner (Industries) of the concerned district. The Deputy Commissioner (Industries) shall promptly evaluate the application and forward it, along with recommendations, to the Joint Commissioner (Industries) of the concerned division. All applications shall be approved by a committee constituted under the chairmanship of the Divisional Joint Commissioner (Industries). The Deputy Commissioners (Industries) of the concerned districts shall be members of the committee. In addition, divisional officers of the Electricity, Pollution Control and Labour Departments, as well as the Lead Bank Managers of the concerned districts, shall be members of the committee. Officers of other related departments may also be invited as members of the committee, if required.

- A State Level Empowered Committee would be constituted under the chairmanship of Commissioner and Director of Industry, Uttar Pradesh, which would include as members the state level officials of banks and departments of Pollution Control, Power, Labour, National Productivity Council, UPFC etc. If required, the Commissioner and Director of Industry could nominate other experts/departments in the committee. The committee shall be authorized to technically evaluate financial claims, calculate the admissible benefits and, accordingly, seek budgetary provision from the Government.
- For Large and Anchor Projects an Evaluation Committee at the level of Director, Directorate of Industries & Enterprise Promotion U.P shall be set up for evaluation of applications
- In addition, a High Level Committee shall be constituted under the chairmanship of the Infrastructure and Industrial Development Commissioner for approval and disbursement in respect of Large and Above category Toy Manufacturing Units. Proposals approved by the Committee shall be forwarded to the Hon'ble Industrial Development Minister for approval.
- In the state, toy manufacturing units will be developed under a cluster approach.

- To ensure availability of identified common infrastructure like tool rooms, testing labs and other necessary services/facilities for toy industries, these services/facilities will be made available in the cluster area through private entities in the form of individual units. Also, all applicable incentives mentioned above will be provided.
- High Level Committee would be mandated to review progress and ensure inter-departmental coordination. The Additional Chief Secretary/Principal Secretary, MSME would ensure the disposal of cases, referred to by the Commissioner and Director of Industry, by placing it before the committee.

10. Marketing Support

The MSME Department will also be responsible for preparing a marketing and branding strategy for this policy. The following steps will be taken:

- Branding the toy production of the state and the related schemes and incentives under a common identity.
- Collaborating with FICCI, PHDCCI and CII to highlight key features of the policy and organize roadshows, seminars and workshops.
- Utilizing print, electronic and social media to promote awareness and branding in the state and in comparison with other states.
- Ensuring participation in national and international toy fairs and exhibitions.
- Linkage with government and digital commerce portals: To facilitate easy access to the market, the Government of UP will support businesses in joining GeM (Government e-Marketplace) portal, ONDC (One Network for Digital Commerce) & other e-commerce platforms, through IEC activities and institutional tie-ups.

11. Amendments

Any amendments/changes to this policy can be made at the level of the Hon'ble Cabinet, Govt. of Uttar Pradesh.