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Global Sources is offering this series of *Developing Country Sourcing Reports* as part of its corporate social responsibility undertakings in partnership with the Kearny Alliance, a non-profit development organization whose mission is *Aid through Trade*.

The aim is to give international buyers new sourcing opportunities from experienced exporters, generating orders and create lasting jobs in developing economies.



CRAFT & PROMOTIONAL GIFTS

Supplier capability in India

EXECUTIVE SUMMARY

India's craft and promotional gifts industry is an emerging sector that provides employment to almost 6 million people.

Although the line is large, its export capability remains underdeveloped. As a result, the country claims a meager 1 percent share of the world's handicrafts exports.

Nevertheless, a number of competitive advantages are seen to help develop the industry into one of India's reliable export sectors. These strengths include high value-addition ratio, which allows suppliers to use low-cost materials and turn them into high-value finished products.

Another key advantage is low capital requirement that allows small businesses with limited funding to gradually develop into export-capable enterprises.

The bulk of the industry's exports are shipped to the US and the EU, particularly the UK, France, Germany and the Netherlands. The UAE is another key overseas market.

Craft and promotional gifts from India come in a wide array of materials and styles that combine modern and traditional design features. Metal crafts dominate exports as it accounts for more than a quarter of total handicrafts revenue. Wooden crafts take up close to a fifth of turnover.

The majority of craft and promotional gift suppliers in India are small or midsize enterprises owned by local entrepreneurs. Most companies have been in operation for at least two decades, with a few having been in existence since the 1950s.

The capital, Delhi, and the states of Uttar Pradesh and Rajasthan are the main sourcing centers. Aside from these locations, companies maintain production facilities in West Bengal, Punjab, Kerala, Tamil Nadu and Uttarakhand states.

The industry recorded a dramatic 48 percent decline in the past year

because of diminished demand due to the global economic crisis. Aside from this, the line is faced with a number of challenges brought about by its low development level.

Foremost is insufficient institutional support for workers in terms of training and skills development regarding modern design trends. Higher material and labor costs are another cause of concern in the industry.

The following are some of the key trends we see in India's craft and promotional gifts industry:

- Due to higher production costs, the majority of suppliers expect to raise prices in the next six months. While some will be keeping quotes level, none of suppliers featured in this report will be cutting prices.

- Better business prospects are expected in the next 12 months as key markets recover from the economic downturn. As a result, many companies expect overseas turnover to grow significantly.

- Suppliers will continue to target the EU as their main export destination. An increasing number of makers are shifting focus to new markets.

This report covers the main types of craft and promotional gifts made in India, including figurines, votive and candle holders, wall hangings, desktop decorations, dried flowers, clock frames, mirror sconces, and frames. Also included are keychains and tumblers, wall and desk clocks, fans, caps, wall calendars, and desktop organizers for promotional purposes.

The *Industry Overview* section discusses key issues affecting export manufacturers and elaborates on the composition of the industry.

The *Products & Prices* section details the features and price ranges of silk fashion accessories. It also lists the latest trends in style and materials.

In this report

- 12 in-depth company profiles
- 6 short company profiles
- 108 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics and charts

OBJECTIVE & METHODOLOGY

This *Indian Sourcing Report* is part of a series designed to provide buyers with information on new products from export manufacturers in supply markets that specialize in handmade merchandise.

The *Developing Country Sourcing Report* series is part of Global Sources' corporate social responsibility initiatives. It is offered in conjunction with The Kearny Alliance, whose mission is Aid through Trade. The objective is to help create jobs in developing Asia through export promotion.

To produce this report, larger, midsized and emerging manufacturers—all with substantial export experience—were surveyed. The selection of suppliers is designed to reflect the composition of the industry in India in terms of geographic location, materials used and range of products offered.

For in-depth profiles, our researchers visited the facilities of each company and interviewed senior executives who discussed their recent performance and provided forecasts for the next 12 months. All other companies in this report were either visited or contacted by phone.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including a breakdown of exports by product type and market. Suppliers also participated in a survey designed to provide insight into the industry.

CONTENTS

INDUSTRY OVERVIEW	7
Supplier summary	
Export value	
Products & prices	9
Production & export statistics	
Price guides	
Supplier survey	11
Export prices	
Export sales	
Export markets	
Major challenges	
Product trends	
SUPPLIER PROFILES	15
Supplier matrix	
Raw materials & exports	
Supplier profiles	
PRODUCT GALLERY	49
Top-selling export products	
CONTACT DETAILS	70

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INDUSTRY OVERVIEW

The craft and promotional gifts industry in India is an emerging sector with vast potential for growth. Several competitive advantages benefit the line, and these are poised to help develop the industry as one of India's significant export contributors.

According to the Export Promotion Council for Handicrafts (EPCH), the country supplies about 1 percent of craft and promotional gifts to the world market. In addition, over the past 10 years, the industry accounts for an average of only 3.3 percent of all exported products from India.

Despite minimal output, the line is banking on a number of factors that are expected to help propel it into becoming a major industry.

Chief of these advantages is the existence of a deep labor pool. India is home to almost 6 million handicraft workers, most of whom are located in rural and underdeveloped areas. Improving this vast resource through skills training and more stable employment is seen to improve capability for most suppliers of craft and promotional gift items.

Another factor is high value-addition ratio. While most craft gifts and premiums are made of inexpensive materials that are easily procured from local suppliers, finished items can be exported for much more.

Another aspect is the low capital

requirement needed for investment. Because products can be made inexpensively, entrepreneurs with limited access to credit can easily set up shop as small suppliers.

Exports & challenges

The latest statistics from the EPCH indicate that overseas shipments of craft and promotional gift items declined in the fiscal year 2008-2009 as a result of the global economic crisis.

From April 2008 to March 2009, India exported \$796.8 million worth of metal, wood and miscellaneous types of handicrafts. This represented a decline of 48 percent compared with the previous year's figures, which reached \$1.53 billion.

The downward trend is most pronounced in the metal crafts segment, which shipped \$393.3 million in 2008-2009, falling 52 percent from the previous period.

Apart from the effects of the economic slump, the industry is facing other challenges brought about by its underdeveloped state.

Foremost of these is the lack of institutional support for workers. Although the industry boasts a large number of highly skilled craftsmen, these employees are not provided external training that would put their talents on a par with those from other

Supplier summary

Suppliers surveyed	18
Export sales	\$56.5mn
Export ratio	95%
Capacity utilized	86%
Full-time employees	2,942

Data: All surveyed suppliers

countries such as China, South Korea and Thailand.

In addition, local suppliers have to update, if not overhaul, several aspects pertaining to manufacturing and management. These include old methods of designing, patterning and product development. Further, most manufacturing techniques and facilities need to be upgraded.

Another challenge facing the line is the higher cost of raw materials, specifically metal. Copper prices increased by 8.5 percent in January 2010 over December 2009 levels. The cost of brass also increased marginally in the same period.

One other issue is rising labor cost due to higher living expenses. Minimum wage for daily earners has increased 25 percent to Rs. 100. Suppliers are not passing the added cost to buyers, however. Instead, some are using lighter and slimmer materials since these are less expensive than regular components and are easier to process. Other companies subcontract some processes to outside providers.

Industry composition

The country's handicrafts industry, of which craft gifts and premiums are classified under, is composed of various segments. The largest of these is metal crafts, which accounts for 27.4 percent of total exports according to official figures. Wooden crafts take up 17.5 percent of total shipments. Miscellaneous items such as promotional products represent 6.6 percent of overseas turnover.

Craft gifts dominate as the most important product line among suppliers

Major production hubs

Metal crafts

Moradabad, Sambhal, Aligarh (Uttar Pradesh); Jodhpur, Jaipur, Barmer, Jaisalmer (Rajasthan); Rewari (Haryana); Thanjavur, Chennai (Tamil Nadu); Kerala; Delhi

Wooden crafts

Saharanpur, Nagina, (Uttar Pradesh); Jaipur, Jodhpur, Barmer (Rajasthan); Hoshiarpur, Amritsar (Punjab); Srinagar (Jammu and Kashmir); Jagdalpur (Chhattisgarh); Bangalore; Mysore; Chennapatna (Karnataka); Chennai (Tamil Nadu); Ahmedabad, Rajkot (Gujarat); Kerala

Miscellaneous crafts

Agra (Uttar Pradesh); Chennai (Tamil Nadu); Jodhpur (Rajasthan)

Ameta Art & Crafts

ISO 9001:2000-certified Ameta produces keychains and tabletop craft gifts, 80 percent of which are exported to the EU. Spain, Sweden and France are the key destinations. Fifty percent of overseas shipments are ordered on an ODM basis.

The main materials used are wood, glass beads, natural resin, and metal such as brass, aluminum and cast iron. All manufacturing inputs are sourced from Delhi and surrounding areas.

Among its best-sellers are keychains, which account for more than half of exports. Making up 20 percent of shipments, promotional tabletop accessories are usually made of wood and glass. In addition, garments and fashion jewelry are available as secondary lines.

Quotes range from \$0.80 to \$3. Wooden keychains in simple designs are available for \$0.75 to \$1. Midrange models that feature more intricate patterns and accessories go for up to \$2. High-end items made of metal with glass beads are priced at about \$3. Packing is done in bubble

wrap and cardboard boxes.

Samples are ready within a week of order confirmation. The minimum order is 1,000 pieces or a value of \$2,000.

Twelve full-time employees together with 20 part-timers produce 25,000 pieces a month.

All manufacturing processes are done in-house at the company's factory in Noida. During the peak season, production of complete keychains or parts of the manufacturing process can be subcontracted to suppliers nearby. QC and packing, however, would still be done in-house.

Four QC members are responsible for checking all incoming materials. The team also conducts in-process inspection for size, joints and finish. Visual checks are conducted on specifications required by buyers.

Ameta has one in-house designer who launches 20 to 30 new models every year.

The supplier is a member of the Export Promotion Council for Handicrafts.

Capability

Materials used

Glass & crystal	Yes
Metal	Yes
Paper	No
Rubber, plastic & resin	Yes
Wood & other natural materials	Yes
Fabric	Yes

Exports by product

Craft gifts	20%
Promotional gifts	20%
Keychains	60%

Exports by market

United States/Canada	20%
European Union	80%
Europe (non-EU)	—
Asia-Pacific	—
Middle East	—
Other	—

Company facts

Year established	2004
Head office location	Noida (Uttar Pradesh)
Ownership	Locally owned
Factory location(s)	Noida (Uttar Pradesh)
Full-time employees	12
Part-time employees	20
ISO certified	Yes
Total annual sales (all products)	\$217,391

Sales & output: Craft & promotional gifts

Annual sales	\$21,739
Share of total sales	10%
Annual export sales	\$21,739
Total monthly capacity	25,000 pieces
Average monthly output	20,000 pieces
Capacity utilized	80%
Average monthly exports	20,000 pieces
Export ratio	100%
Major export customers	Inditex Group (Spain)

Contact details

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Address

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Popular export models



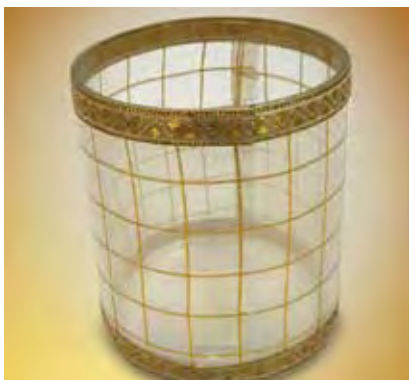
Model: 9797
MOQ: 1,000 pieces
Packaging: Cardboard
Delivery: 30 days
Price: •
Description: Heart-shaped attachment; chemical resin; stainless steel keyring; in various sizes



Model: 9771
MOQ: 1,000 pieces
Packaging: Cardboard
Delivery: 30 days
Price: •
Description: Heart shape; brass; embossed design; in various colors and sizes



Model: 9786
MOQ: 1,000 pieces
Packaging: Cardboard
Delivery: 30 days
Price: •
Description: Guitar shape; natural finish; mild steel ring; in various colors and sizes



Model: 12072
MOQ: 1,000 pieces
Packaging: Bubble wrap, cardboard
Delivery: 30 days
Price: •
Description: Glass tumbler; covered with tissue fabric; in various colors and sizes



Model: 12074
MOQ: 1,000 pieces
Packaging: Bubble wrap, cardboard box
Delivery: 30 days
Price: •
Description: Glass tumbler; covered with beaded tissue fabric; in various colors and sizes



Model: 6258
MOQ: 1,000 pieces
Packaging: Cardboard
Delivery: 30 days
Price: •
Description: Tray; wood; oblong shape; floral design; in various colors and sizes

• Information not disclosed

PRODUCT GALLERY

Craft gifts



Artifacts
(profile page 22)
Model: AI-CS-0284
MOQ: 500 sets
Packaging: Polybag, cardboard
Delivery: 90 days
Price: \$1.28
Description: Card sets; 5 printed cards with 5 envelopes; beaded lac pen in a gift box; 5x4in



Artifacts
(profile page 22)
Model: AI-CK-12918
MOQ: 500 pieces
Packaging: Polybag, cardboard
Delivery: 90 days
Price: \$0.50
Description: Paper craft; 9 handmade sheets in poly pack; multicolor printing; 12x8.5in



Artifacts
(profile page 22)
Model: AI-CK-12927
MOQ: 500 pieces
Packaging: Polybag, cardboard
Delivery: 90 days
Price: \$0.52
Description: Paper craft; 9 handmade sheets in poly pack; multicolor printing; 12x8.5in



Artifacts
(profile page 22)
Model: AI-CK-12928
MOQ: 500 pieces
Packaging: Polybag, cardboard
Delivery: 90 days
Price: \$0.64
Description: Paper craft; 9 handmade sheets in poly pack; multicolor printing; 12x8.5in



Artifacts
(profile page 22)
Model: AI-CK-12931
MOQ: 500 pieces
Packaging: Polybag, cardboard
Delivery: 90 days
Price: \$0.48
Description: Paper craft; 9 handmade sheets in poly pack; multicolor printing; 6.5x6in



Artifacts
(profile page 22)
Model: AI-CK-14254
MOQ: 500 pieces
Packaging: Polybag, cardboard
Delivery: 90 days
Price: \$0.82
Description: Paper craft; 9 handmade sheets in poly pack; multicolor printing; 10x10in

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