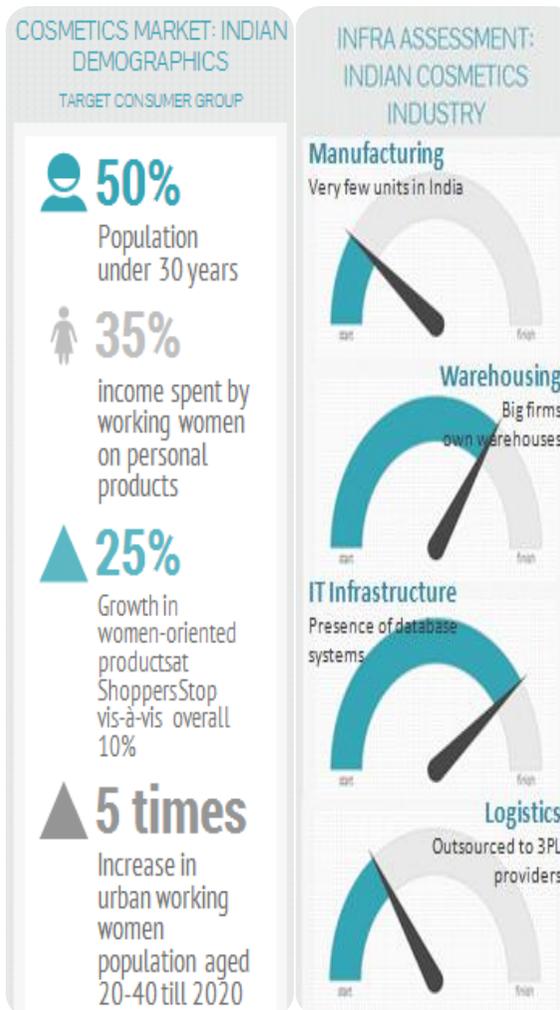




COSMETIC INDUSTRY OVERVIEW

Beauty in its true sense has always been worshipped in India. It is said that the ancient science of cosmetology has its origins in Egypt and India. Even before the dawn of modern cosmetics industry in the world, Ayurveda had all the natural ingredients for herbal cosmetics and was used across all the social classes in India. Urbanization in 90's was instrumental in promoting the chemical cosmetics sector. Several Indian brands (Dabur, Ayur, Emami, Godrej etc.) gradually became the most popular brands in the Indian cosmetics product market.

However with the advent of globalization and growth of print and live media in Indian mainstream, there has been gradual increase in the awareness among the Indian masses about global cosmetics brands. These global brands also identified market opportunities and started focusing



on key consumer groups of Indian market with unique products.

The retail Indian cosmetics and beauty industry is estimated to be at USD 950 million and is supposed to grow to USD 2.68 billion by 2020. The market has been growing at a rate of 15-20% annually; twice the rate of US and European markets. The rapid rate of urbanization, growth of organized retail and increase in disposable income of the middle class will further lead to the expansion of the market.

"India is one of our key markets and we decided a year ago that we had the critical mass to open R&D centre in India"

~ Mr. Challes, India MD, L'Oréal on investing in opening a research facility in India

Italian company "Officina Farmaceutica Italiana (OFI)" is already under way for starting its retail chain in a joint venture scheme. Innisfree and Faces Cosmetics are choosing to open fully owned Indian subsidiaries. Several known brands like LUSH are already operating in India through distributors.



COSMETIC PRODUCT REGISTRATION

In 2010, Ministry of Health & Family Welfare proposed a draft to amend Drugs and Cosmetics Rules, 1945. To better regulate the import of cosmetics under these new rules (known as Drugs and Cosmetics (4th Amendment) Rules, 2010), Ministry made the product registration compulsory from April 1st 2013. The prime rules amended implied that all cosmetic products imported to India for sale must be registered by the licensing authority appointed by Government of India, currently Drug Controller General of India (DCGI). Any violation will risk facing withdrawal of products from markets,

finer or jail term. A separate cell in DCGI is made for dealing with cosmetic products.

“At present, there is no system to regulate such imports. The step will ensure the safety of consumers using these products”

~ A senior Health Ministry Official in a PTI press note on cosmetic product regulations

From the time of proposal, this has attracted significant apprehensions from the cosmetic industry. The registration required is for individual brands. A “brand” refers to a specific category of cosmetic products (categories mentioned in detailed guidelines published on 2nd Jan 2013 on Central Drugs Standard Control Organization website) and this also includes different variants like colour, pack size, shades etc. The validity of registration certificate is 3 years from the

date of issue and renewal application is recommended to be done within 6 months prior to expiry for existing registration to continue until further orders. The application for the registration process can be initiated by the manufacturer itself, any Indian authorized agent, subsidiary (Indian) of the manufacture or any other importer

Existing market players have already started the registration process. Foreign firms, looking at entering Indian market with a growing consumer base, must consider product registration as an essential step in their entry strategy, which should not just be limited to data research and knowledge on Indian consumer behaviour and sales channels. Understanding of procedural issues supported by presence of a strong local network can further boost India entry plans.

ABOUT INI CONSULTING

We are a Mumbai based Indian consulting firm focused on providing strategic advisory and implementation support services to overseas organizations interested in India. INI has been supporting clients right from opportunity identification to market research, concept development, business advisory support, initial hand holding and implementation support. INI can assist brands with their cosmetics product registration in India as per new norms of 2013.