



State of Counterfeiting in India 2022



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About

Authentication Solution Providers' Association (ASPA) is one of its kind, globally recognised as a self-regulated organization promoting ethical practices across industries in India with wide participation from industry stakeholders.

CRISIL on behalf of ASPA has conducted an independent study of counterfeiting market to understand the consumer perception and industry view of counterfeiting penetration in India. The findings of the consumer survey and industry research are presented in the report '*State of Counterfeiting in India 2022*'.

Purpose and scope of the report

- Introduction to counterfeit products and its impact on stakeholders in the economic value chain
- Overview counterfeiting penetration and awareness across key sectors and regions among key stakeholders
- Overview of industry practices and regulatory laws to tackle counterfeiting

Sectors covered

Sectors covered in this report includes

PHARMACEUTICALS

FAST-MOVING
CONSUMER
GOODS
(FMCG)

AUTOMOTIVE

APPAREL

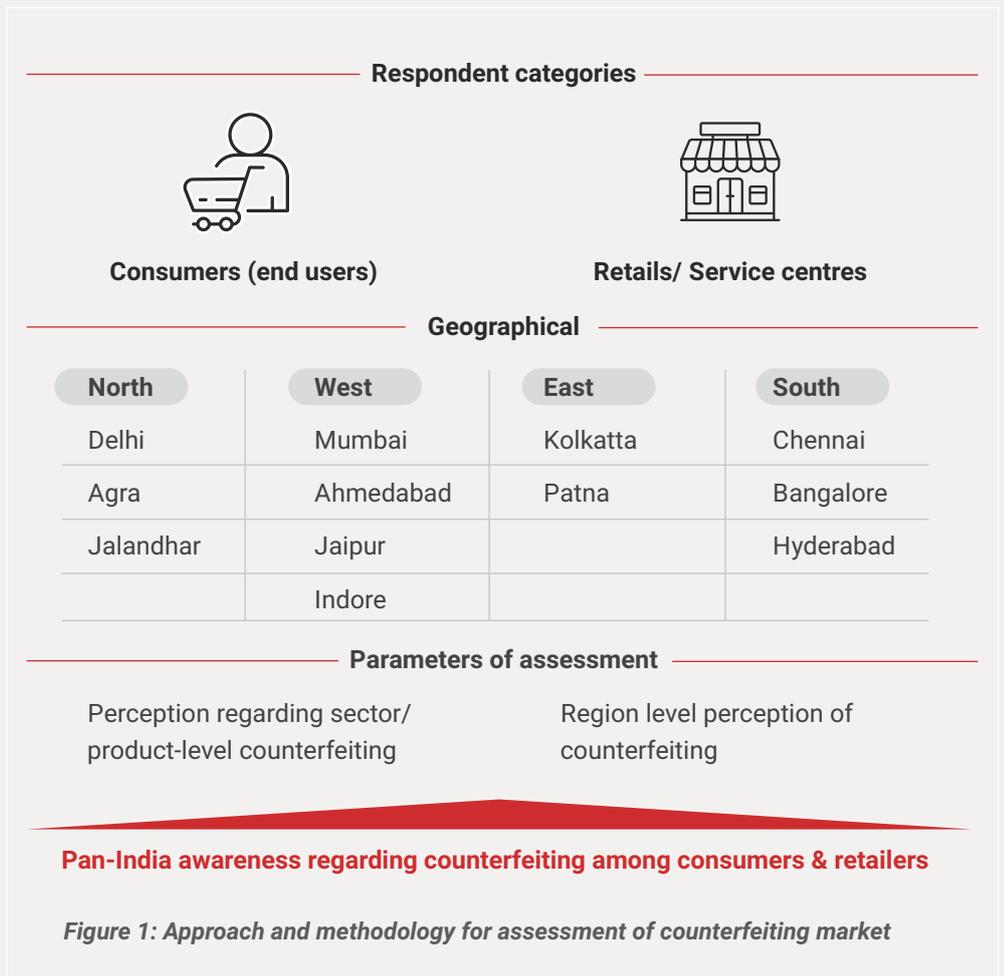
CONSUMER
DURABLES

AGRO
PRODUCTS

Approach and Methodology

The study is based upon a survey carried out with end users (consumers) as well as retailers. The study covered online quantitative market survey across the mentioned cities. For agrochemicals sector, face-to-face interactions was conducted with farmers, distributors and dealers. For the rest of the sectors the study covered the on-line quantitative market survey. The market survey covered 530 interactions across 12 cities including face-to-face interactions in agrochemicals segment. Understanding of the counterfeiting market has been achieved through primary interactions with industry participants, manufacturers, industry associations across sectors, ASPA members and consumer market to gauge the extent of counterfeiting.

CRISIL has also supplement the findings with reliable secondary sources of information wherever necessary. Secondary information sources would include industry publications, subscribed industry databases, etc.



Foreword from ASPA



Formed in 1998 as a non-profit organization, the Authentication Solution Providers' Association (ASPA) has a rich heritage of over two decades of supporting the research and development, promotion, adoption, and awareness of Authentication & Traceability solutions (ATS) as effective tools to curb counterfeiting and illicit trade to save lives.

On behalf of ASPA, we feel privileged to present this report, 'State of Counterfeiting in India 2022'. This report has been prepared to statistically represent the counterfeit perception and awareness of Indian consumers, to help readers understand counterfeiting trends in the country.

Counterfeiting is a global menace and no economy in the world has remained unaffected by this. Indian citizens' lives, and the economy have been affected by the increasing counterfeiting incidents in the past three years. Although measuring the economic impact of counterfeiting is challenging, informed studies estimate that trade in counterfeit goods is now 3.3% of total world's trade and is increasing day-by-day. It is well known and documented that counterfeit goods are a risk to consumers' health and well-being, and can distort competition, damage legitimate producers' interests and their brand names, undermine employment as well as impact their revenue.

Counterfeiters are becoming smarter, better funded, and organised. Thus, the onus is on consumers to stay one step ahead of them. Also the growth of e-commerce and globalisation of markets have made the fight against counterfeiting even more challenging.

The industry and regulating authorities need to promote authentication solutions and review their strategy to fight counterfeiting by following good business practices as prescribed in ISO (International Organization for Standardization) 12931 and ISO 28000 etc.

At ASPA, we believe that we can contribute to fighting this menace by bringing this issue into the limelight at all industry and government forums. Our members are also working with brand owners and government bodies in providing technologically advanced solutions to fight this menace. We are confident that with the support of all affected parties, we can help in curbing the impact of counterfeiting. This report is part of our initiative in building awareness on the economic and societal impact of counterfeiting and enabling all stakeholders to combat this menace, often called as the '*crime of 21st century*'.

We hope you find this report useful.

Nakul Pasricha

President, ASPA

Foreword from CRISIL



Counterfeiting, which involves products being faked, copied, and misrepresented to resemble branded/ trademarked originals, costs the global economy billions in lost business and truncated growth, leads to loss of revenue for the government, and poses serious health and safety hazards for consumers. Indirectly, it dilutes brand value and reputation, stifles innovation, and increases product liability claims for companies.

That virus has infected India as well, with supply chain inefficiency, lower prices of counterfeits, law enforcement challenges, and lack of customer awareness accentuating the challenge.

Counterfeiting is not limited to high-end luxury items. Even common items, from cumin seeds to cooking oil and from baby care items to medicines, are increasingly reported as counterfeit.

This study is based on a survey of consumers to gauge their perception of counterfeiting in several key sectors – pharmaceuticals, FMCG / packaged goods, automotive parts, apparels, consumer durables/electronics, and agrochemicals.

An important finding of the survey was that consumer perception pegged the extent of counterfeiting at 25-30% of the market, higher than the general industry expectation.

The survey also showed consumers are often compelled to buy counterfeits for reasons such as social motivation, desire to buy luxury brands, and peer pressure. Sensitivity to price and the demand-supply gap are also motivators.

However, nearly 27% of the consumers were unaware at the time of purchase that the product was counterfeit, which makes it important to spread awareness about identification methods.

Counterfeiting seems to have increased with the evolving digital marketplace and supply chain disruption caused by the pandemic. Moreover, counterfeiters are becoming smarter by deploying technology to create and sell counterfeits.

A concerted and collective effort from companies, government, distributors/retailers, and consumers to combat counterfeiting thus becomes the need of the hour.

We hope this report delivers actionable insights on counterfeiting in India and helps the stakeholders in decision-making.

Suresh Krishnamurthy

Senior Director
CRISIL MI&A

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Counterfeiting - the underbelly economy

Counterfeit products are fake, imitated / copied deliberately misrepresented to resemble branded / trademarked products. Counterfeit products are generally of lower quality than the original products. Such products launch into the market through unorganised routes or through perpetrators claiming to sell genuine products and pocketing the illegal price differential. It not only impact the customers but also affect the genuine manufacturers and the government.

Counterfeiting has spread its wings, and its products range from luxury items to automobile and aerospace as well as products which are part of our daily use household items. Counterfeits find penetration across product segments where demand is high and supply is constrained, or the market which is price sensitive, yet demand is robust.

As per 'The state of counterfeiting in India 2021' report, by Authentication Solution Providers' Association (ASPA), counterfeiting costs the Indian economy Rs 1 trillion every year, i.e., approx. 0.5% of its gross domestic product (GDP).

The number of counterfeit incidents in India increased by 20% on average annually from 2018 to 2020.

Counterfeiting poses a threat to various stakeholders, including the government, consumers and manufacturers, and national security of the respective country. It not only impacts the revenue of the manufacturers but also affects government tax income.

Indian scenario

Counterfeiting is highly prevalent in India owing to supply chain inefficiency, law enforcement challenges, and lack of customer awareness.

Top five most affected sectors in fiscal 2021 were tobacco, pharma, alcohol, FMCG and currency. Incidents reported in these sectors constituted more than 84% of the total counterfeit incidents.

There was a sharp spike in crimes related to illicit liquor, smuggling of tobacco products and pharmaceutical products, especially PPE kits, medicines, oximeters and sanitisers, etc, during the COVID-19 pandemic.

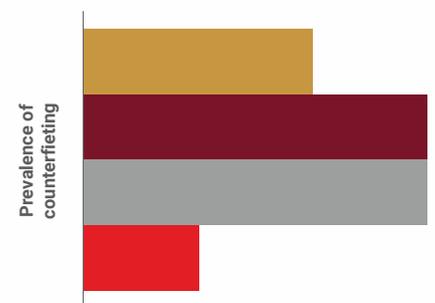
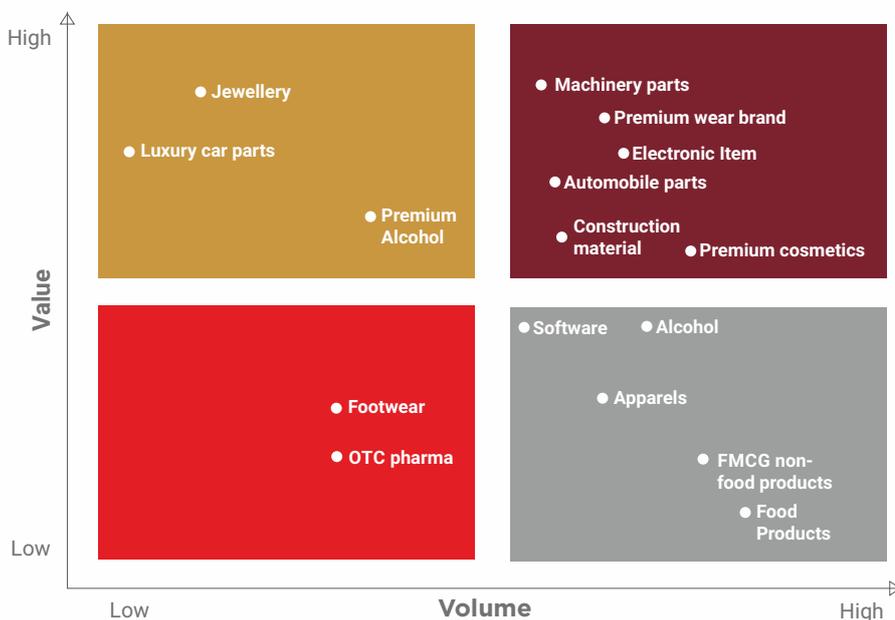


Figure 2: Prevalence of counterfeiting is higher for high-volume products

Consumers who have come across a counterfeited product

FMCG, Apparels and Automotive are top segments where consumer came across a counterfeit product

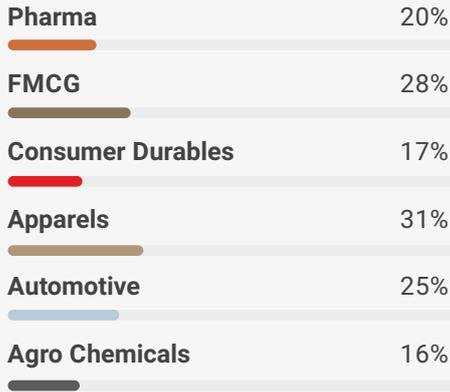


Figure 3: Sectors where counterfeiting is perceived to be present

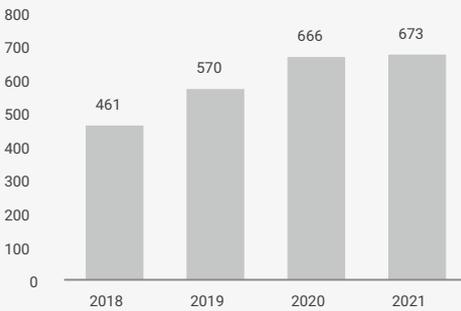


Figure 4: Counterfeit incidents reported by the media in India



Leading to tax loss Government
 Nearly 1.5-2.0% of current corporate tax collections

Figure 5: Counterfeiting market in India and its impact on the economy

While counterfeiting is prevalent across India, it is highest in Uttar Pradesh

As per the ASPA report 2021, Uttar Pradesh continues to top in terms of counterfeiting cases, followed by Bihar and Rajasthan. These three states alone contributes approx 45% of the total counterfeit incidents reported in India between 2019 and 2021.

The top 10 states – Uttar Pradesh, Bihar Rajasthan, Madhya Pradesh, Jharkhand, Haryana, Punjab, West Bengal, Maharashtra, and Odisha – need urgent attention with respect to counterfeiting incidents and a more detailed analysis of the issue followed by stringent anti-counterfeiting policy mechanisms and implementation.

Counterfeiting activities are not limited to high-end luxury items. Common day-to-day items, including cumin seeds, mustard, hair oil, soaps, baby care items, and medicines, are increasingly attacked by counterfeit products.

As per CRISIL MI&A, FMCG, Apparels and Automotives are top segments where consumer came across a counterfeit product (Please refer figure 3).

Overview of the impact of counterfeiting on stakeholders

Counterfeiting impacts almost all stakeholders in the economic value chain.

Economy

Counterfeiting impact the economy as a whole. It weakens the local industry, dampens legal imports and drastically affects the government revenue collected in the form of duties and levies. The loss of goodwill, reputation

and revenue that a brand suffers due to counterfeiting can also have a multiplier effect on the economy in the form of fewer jobs as the manufacturers of original products may become too financially weak to make fresh recruitments.

Consumer

Consumers are victims of counterfeiting often compelled to buy counterfeit goods for various reasons such as social motivations, desire to buy luxury brands, social pressure and sensitivity to price. Also, there are some consumers who buy counterfeits out of ignorance. Counterfeits adversely affect the health and safety of consumers – especially in industries such as pharmaceuticals, food, baby formulas, etc— as they are made of inferior material and fail to meet the designated safety standards.

Companies/ manufacturers

Manufacturers of original products are hit the hardest. Even big brands are forced to compete with counterfeiters and suffer loss of sales. Another pitfall is deceived customers forming a bad opinion of the original product, leading to a loss of goodwill. Dilution of brand and loss of consumer trust arising from loss of goodwill are far more dangerous than revenue loss. However, it is difficult to estimate the loss in numbers.

Government

Governments the world over lose billions of dollars in tax revenue owing to counterfeit and smuggled products. In terms of sales tax, excise tax, income tax and customs duty, the losses are increasing every year. Certain sectors, such as tobacco and alcoholic beverages, are particularly vulnerable in this case. The governments incur huge costs in conducting judicial proceedings

*Source: CRISIL MI&A

in association with various law enforcement agencies. Apart from this, they also need to make a gruelling effort to seize these goods.

National security

Proliferation of counterfeit products in certain sectors can even threaten the national security. Another emerging and growing threat is involvement of terrorist organisations in counterfeiting, piracy and smuggling. The funds thus raised are often used in funding terrorist activities. Such cases have been reported across the globe.

Consequences of counterfeiting

Dilution of brand value and reputation

Inferior products tarnish the reputation of original product manufacturers and dilute their brand image. They also have to make significant effort later to take legal recourse to counter counterfeit makers.

Curtails innovation

Heightened counterfeiting and smuggling of goods discourage companies from investing and deploying resources in product innovation. Lack of adequate measures to protect intellectual property rights by way of patents, copyrights, trademarks, etc, curbs the willingness to innovate or spend on R&D

Loss of revenue

Central and state governments suffer heavy losses by way of loss of taxes and sales for private companies.

Fraudulent product warranty claims

Fraudulent products can lead to fraudulent warranty claims. Perpetrators sell counterfeit products cheap because they use poor-quality materials and follow sub-standard manufacturing processes, which compromises the products' life.

Product liability claims

With counterfeiting, one cannot get product liability claim. In case consumers buy defective products, they do not have the option to complain and seek product liability claims. The reason is that one cannot trace the origin of the counterfeit product. Thus, traceability is one of the biggest problems with counterfeit products.

Key reasons for counterfeiting of products

Market attractiveness, supply chain inefficiency, law enforcement challenges, and lack of customer awareness are some of the key reasons for increase in counterfeiting cases across segments.



Challenges in enforcement and execution

Although a small number of India's state authorities, including Maharashtra and Telangana, continue to operate dedicated crime enforcement units, mean while other states have not followed suit or face organisational challenges. Further, slow execution encourages criminals to continue.



Non-adoption of technologies

With counterfeiters getting smarter, they can imitate packaging to a great extent. Many times, in the absence of anti-counterfeiting technologies, it becomes difficult for the police and law enforcement and investigative officers to identify the difference between genuine and fake, which further results in weak first investigation reports (FIRs) and loopholes in the investigation.



Need for clarity on regulations

Brand owners of pharmaceutical, tobacco and alcohol products need to be more aware. Further, it has been often noticed that the adoption of authentication and traceability solutions is exceptionally low in the absence of clear regulations.



Lack of consumer awareness

Trade in counterfeits can be broadly divided into sales where consumers are aware that they are purchasing a counterfeit – for instance, clothing, footwear, cosmetics and fashion accessories bearing well-known brands, and sales where they are deceived into doing so. **In India, it is estimated that about 80% of consumers buying counterfeit goods are victims of deception.**

Global scenario

Trade in counterfeit goods on the rise

Counterfeiting is highly pervasive across countries that continues to grow. As per the OECD report, Trends in Trade in Counterfeit and Pirated Goods 2019, the value of imported fake goods worldwide based on 2016 customs seizure data stood at \$509 billion (3.3% of world trade), up from \$461 billion in 2013 (2.5% of world trade). For the European Union (EU), counterfeit trade represented 6.8% of imports from non-EU countries, up from 5% in 2013. These figures do not include domestically produced and consumed fake goods, or pirated products being distributed via the internet.

As per the report, majority of fake goods picked up in customs checks originate in China and Hong Kong. Other major points of origin include the United Arab Emirates, Turkey, Singapore, Thailand, and India.

Countries most affected by counterfeiting in 2019 were the United States, whose brands or patents were connected with 29% of the fake products seized, followed by France at 18%, Italy 9.8%, Switzerland 4%, and Germany at 16%. A growing number of businesses in Singapore, Hong Kong and emerging economies such as Brazil and China, are also becoming targets.

As per the OECD report, the most frequently seized products were footwear, clothing, leather goods, electrical machinery and electronic equipment. A 2017 report by Frontier Economics forecasted the counterfeiting and piracy goods market at \$1.9-2.8 trillion in 2022. Of this, ~\$991 billion will come from world trade (3-5%).

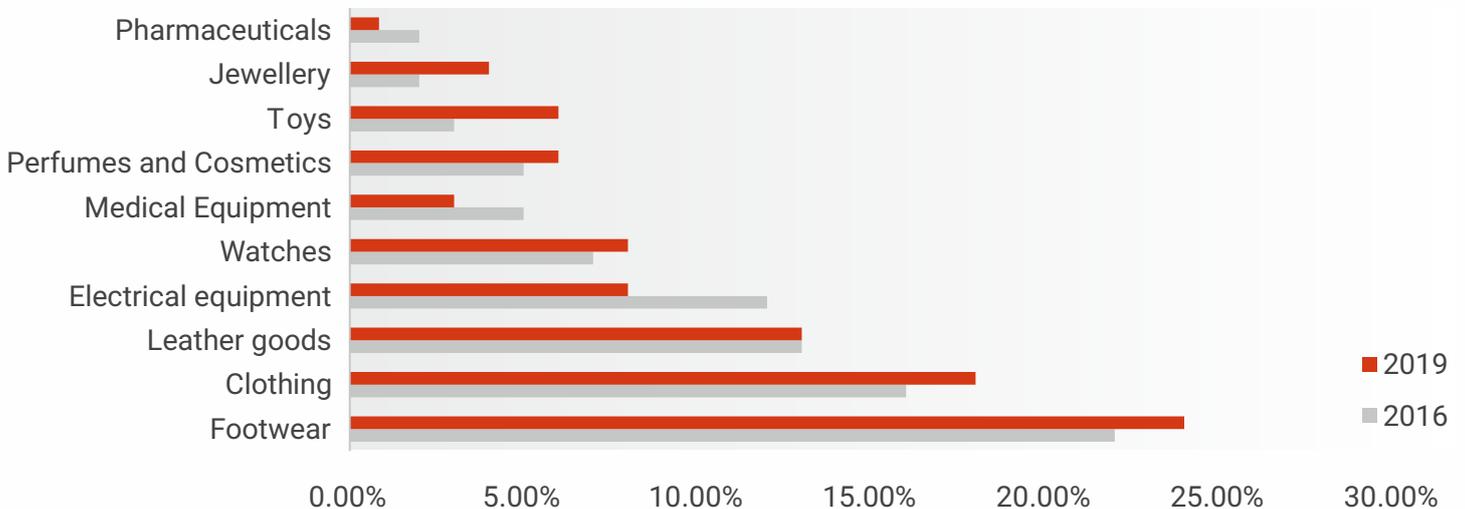


Figure 6: Top product categories of counterfeit and pirated goods, 2016-2019 (in terms of global customs seizures)

*Source: OECD 2016 & 2019 reports

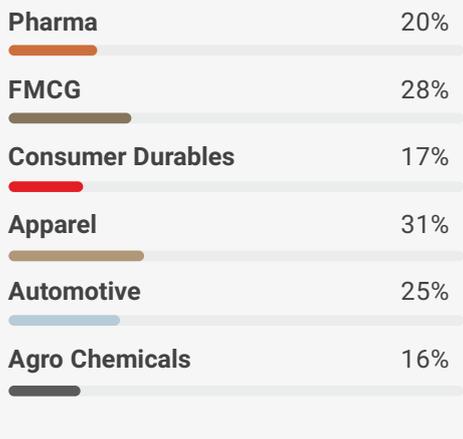
Consumer survey insights

Consumer survey data shows counterfeiting extent at 25-30% of the market

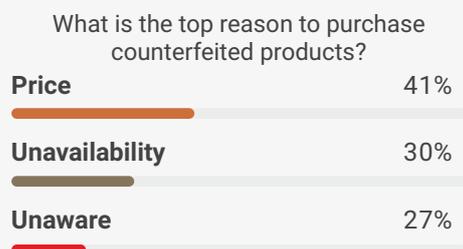


— Consumers who have come across a counterfeited product —

FMCG, Apparels and Automotive are top segments where consumer came across a counterfeit product



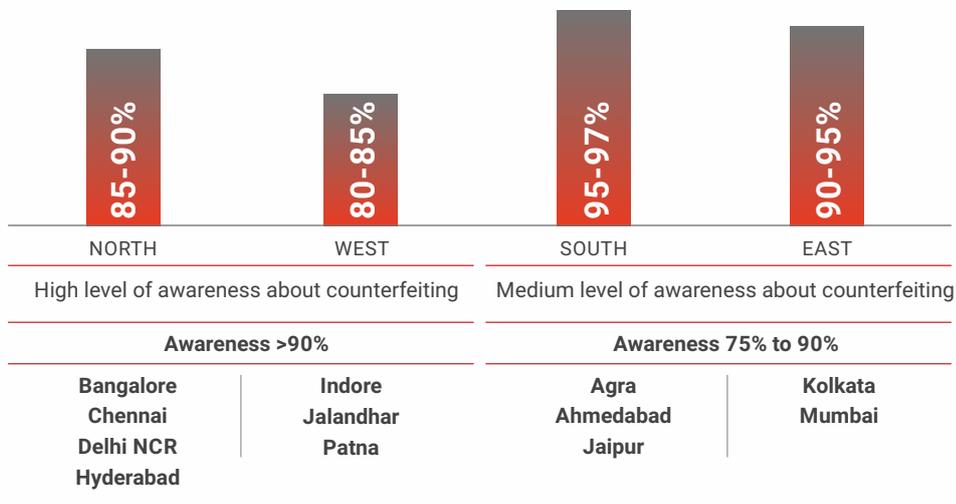
— Price drives the demand for counterfeited products —



Awareness about presence of counterfeit products in the western region is lower than the national average of 89%

The level of awareness about counterfeit products varies across regions, with western region showing moderately lower awareness of all. The tendency to

knowingly purchase counterfeit products is higher in cities such as Ahmedabad, Patna, Chennai and Bangalore. Overall, 31% of the respondents agreed to have knowingly purchased counterfeit products. The percentage of willing purchases are higher in FMCG/ packaged goods followed by the branded apparel segment.

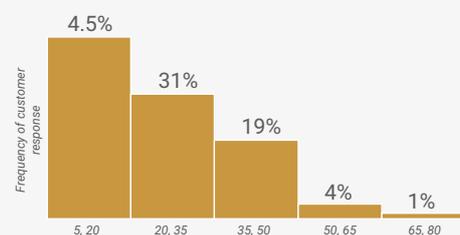


Consumers who have willingly purchased at least once counterfeited products

Pharmaceutical	25%
FMCG/ Packaged Goods	42%
Automotive Parts	36%
Apparel	37%
Consumer Durables/ Electronics	33%
Agro-Chemicals	35%

Note: Pharmaceutical products here refer to all healthcare products such as medicines, medical devices, OTC drugs, OTC consumables such as bandages, cotton, ear buds, etc.

Average Price Differential is 5-20% among counterfeited and original products



Note: Here counterfeiting also includes the unorganized market that imitates branded products.

Willingness to buy counterfeits backed by perception that they do less harm

Nearly 50% of the respondents said counterfeit products are only moderately harmful; 29% said they are very harmful; and 22% said they are not harmful

Perception of harmfulness is likely to reduce after exposure to counterfeits

People who are aware about counterfeit products in the market (89%) are less likely to rate the products as very harmful. Only 27% of the people who are aware about counterfeit products said they were very harmful. Of the people who are not aware of counterfeit products in the market (11%), 44% said they were very harmful. This indicates that after using counterfeits, people feel they are less likely to be harmful. These may not hold true for sectors related to health, such as pharmaceutical and packaged foods. For other categories, as the adverse impact is not conspicuous, people feel such products are less harmful. This helps counterfeit manufacturers penetrate the market. Consumers shift to cheaper counterfeits after they try them once and feeling that they are less harmful. People perceive counterfeits in pharma and FMCG/ packaged as more harmful than those in apparels.



Figure 7: Perception about harmfulness of counterfeit products
Source: Consumer Survey Insights, CRISIL MI&A

Perception about harmfulness v/s awareness about counterfeit products

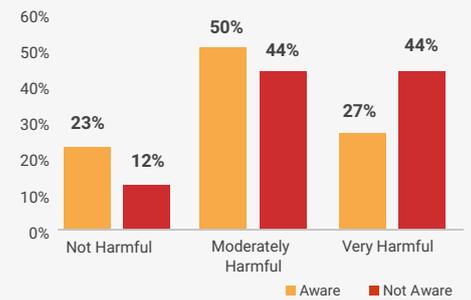


Figure 8: Awareness about counterfeit products

Table 1: Perception about harmfulness of counterfeit products

Perception of harmfulness of counterfeited products	
Pharmaceutical	High
FMGC/ Packaged Goods	High
Automotive Parts	Moderate
Apparel Brands	Low
Consumer Durables/ Electronics	Moderate
Agro-Chemicals	Moderate

North region more distrustful about counterfeits than the rest of the country

Consumers' perception of harmfulness of counterfeit products vary with region. People in north perceive counterfeits as more harmful, while those in West feel they are only moderately harmful. Perception of harmfulness also varies with consumers' experience with such products.

South and North: Perception of harmfulness increases with experience

In South India, the perception of harmfulness rises among people who have used counterfeits in the past. Most of South India rates counterfeits as moderately harmful. However, people who have not used such products think the harm they can cause is low.

The perception among people in North, too, drastically varies. People who have used counterfeits feel they are harmful and those who have not used them feel they are only moderately harmful.

East and West: Perception of harmfulness decreases with experience

In East, the trend is the opposite. People who have used counterfeits feel they are moderately harmful and those who have not used feel they are very harmful.

In West, too, the trend is similar to that of east – people become more confident that counterfeits are not harmful after using them. Also, people who have not used them rate the products as very harmful.

Table 2: Regional perception of harmfulness

Region	Not harmful	Moderately harmful	Very harmful
East	0-5%	60-65%	30-35%
North	6-10%	47-51%	42-46%
South	25-30%	55-60%	10-15%
West	35-40%	35-40%	20-30%

(All respondents n=510)

Used counterfeits at least once	Not harmful	Moderately harmful	Very harmful
East	0-5%	60-65%	30-35%
North	5-10%	45-49%	43-47%
South	20-30%	55-60%	10-15%
West	40-45%	35-40%	20-25%

(Respondents who have experienced or come across a counterfeit product) n=510

Not used counterfeits	Not harmful	Moderately harmful	Very harmful
East	0%	30-35%	65-70%
North	5-10%	60-65%	25-30%
South	38-42%	38-42%	18-22%
West	10-15%	35-40%	45-50%

(Respondents who have not experienced or come across a counterfeit product) n=510

Table 3: Reasons for purchase of counterfeit products

	Lower Cost	Lack of availability	Unaware the product was counterfeited
Pharmaceutical	31%	34%	33%
FMGC/ Packaged Goods	38%	26%	35%
Automotive Parts	41%	32%	26%
Apparel	44%	35%	18%
Consumer Durables/ Electronics	51%	22%	26%
Agro-Chemicals	40%	31%	21%

27% unaware at the time of purchase the product was counterfeit

Lower cost is the factor that drives demand for counterfeits in the apparel, automotive parts and consumer durable/electronics segments. In apparels, only a small proportion of respondents said lack of awareness as a reason to purchase a counterfeit. This indicates more consumers are aware of counterfeits in the sector.

Equal number of people cited lack of availability as a reason to purchase counterfeits in automotive parts and apparels. In pharma, lack of availability and ignorance are the reasons purchasing counterfeit products.

South is more confident about identifying counterfeit products

In South region, 65% of the people exuded confidence that they can identify counterfeits. In North, the confidence is low as only 41% said they could identify such products. Within North region, only 20% has the confidence – the lowest – bringing down the overall level in the region. In Delhi NCR, 53% expressed the confidence while Mumbai shows 45%.

South: In South 54% unknowingly purchased counterfeit products and later realised it. Of those, 40-45% did not take any further actions and 30% returned the product to the shopkeeper. Those lodged a complaint with the retail outlet was 15%. Only one person complained to the manufacturer of the original product. Another 10-15% said they would continue using it as the product quality was not bad (non-health-related product).

North: In North, 29% unknowingly purchased counterfeit and later realised it. Of them, 50-55% did not take any further action; 30% returned the product to the shopkeeper and 15-20% complained to the retail outlet.

East: In East, 78% unknowingly purchased counterfeit product and later realised it. Of them, 70-75% did not take any further actions; 15% returned the product to the shopkeeper and 10-15% complained to the retail outlet. Only one person lodged a complaint with the original product company.

West: In West, 29% unknowingly purchased counterfeit products and later realised it. Of them, 30-35% did not take any further action; 35% returned the product to the shopkeeper and 5-10% complained to the retail outlet. Another 20-25% said they would continue using it as the product quality was not bad (both health and non-health related products).

Among the sectors mentioned, pharmaceuticals have the lowest level of counterfeits. However, customer experience and perception are higher than retailers' and manufacturers' expectation of counterfeiting (0.1-3.0%).

Of the 12 cities, consumers from cities such as Mumbai, Delhi NCR, and Agra have lower instances of facing counterfeiting. In cities such as Chennai, Indore and Kolkata consumer experience of coming across counterfeits is at least 5 percentage points higher than the overall market. In sectors baring auto and agro-chemicals, perception of people is in line with their actual experiences with counterfeits. In

the case of auto and agro-chemicals, perceptions are higher than actual experienced counterfeiting instances.

According to the responses, consumers largely identify counterfeits through usual techniques, such as inspecting the brand name, brand logo and colour, design on packaging, serial number, and security tear tape. Also, consumers typically either complain to the shop owner or retailer but never to the manufacturer of the original product.

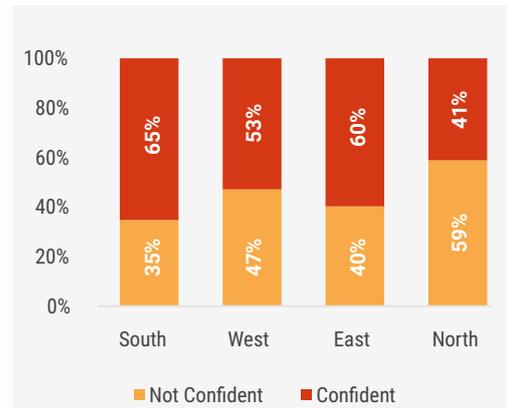


Figure 9: Survey response-region wise confidence of consumers in identifying counterfeits

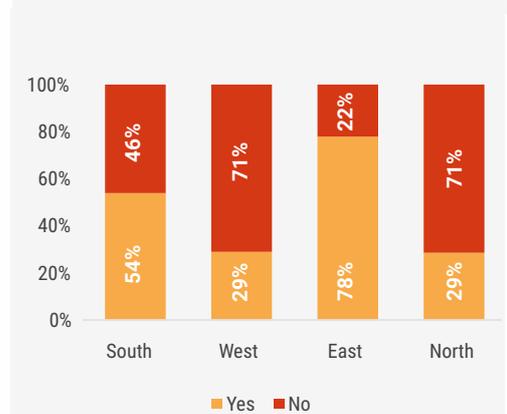


Figure 10: Survey response-Q: Have you purchased a product and later realised it was counterfeit?

Perception of market share of counterfeits in sectors analysed



Figure 11 : Perception of market share of counterfeits in sectors

Note: The figure represents the most frequent market share of counterfeits given a particular sector. Sample size is 75 responses per sector on average. For example: In Pharma sector, most people believed counterfeits make up 20% of the pharma market.

Extent of counterfeiting: City-wise consumers who have come across counterfeit products across segments

Table 4: City wise segment wise extent of counterfeiting

	PHARMACEUTICAL	FMCG/ PACKAGED GOODS	AUTOMOTIVE PARTS	APPAREL BRANDS	CONSUMER DURABLE ELECTRONICS	AGRO- CHEMICALS
DELHI NCR	15%	15%	10%	23%	15%	15%
AGRA	13%	17%	15%	13%	13%	4%
JALANDHAR	23%	17%	17%	17%	17%	9%
MUMBAI	18%	21%	9%	12%	19%	14%
AHMEDABAD	21%	41%	18%	50%	35%	12%
JAIPUR	14%	14%	14%	14%	14%	7%
INDORE	29%	60%	26%	89%	34%	11%
KOLKATA	22%	42%	4%	47%	40%	22%
PATNA	18%	29%	34%	29%	21%	13%
CHENNAI	25%	38%	38%	42%	42%	40%
BANGALORE	18%	24%	15%	15%	21%	12%
HYDERABAD	32%	29%	12%	35%	29%	21%
OVERALL	20%	28%	17%	31%	25%	16%

Note: Figures represent the share of consumers from each city who have come across counterfeit products in the particular sector. For example, 15% of consumers from the Delhi NCR region said they witnessed counterfeit products in the pharma market

Note: Cities highlighted in green have 5 percentage points lower consumer instances of counterfeiting than the overall average. Cities highlighted in red have 5 percentage points higher consumer instance of counterfeiting than the overall average.

Source: Consumer Survey Insights, CRISIL MI&A

Pharmaceuticals



Industry overview

The Indian pharmaceutical industry is the world's third largest by volume and 14th largest by value. According to CRISIL MI&A, the Rs 3,136 billion pharmaceutical market (fiscal 2021 estimate) is projected to reach Rs 3,607 billion in fiscal 2023.

Even though India is one of the largest manufacturers of generic medicines across the globe, the penetration of organised pharmaceutical chains within the country is limited owing to lower reach of healthcare services, a poor supply chain network and high costs. The demand-supply gap and low affordability ultimately lead to counterfeit/ grey market of medicines, especially for lifestyle diseases.

Distributors and consumers have higher estimate of counterfeit products in pharma than retailers/ manufacturers

The supply of counterfeit products is prevalent across the country, but more so in tier II/III cities and villages. As per industry experts and a consumer survey, the level of counterfeiting is on the higher side in spite of low figures reported by the survey conducted by the regulatory authority Central Drugs Standard Control Organisation (CDSCO) and the Government of India. According to the industry people, about 0.1-3% of medicines manufactured and sold are counterfeit. As per distributors and authentication solution providers, it is

Table 5 : Stakeholder/reports for counterfeit expectations-Pharmaceuticals

Stakeholders / Reports	Counterfeit expectation
Regulatory authorities*, government bodies*, manufacturers and retailers	0.1-3%
Distributors and authentication solution providers	10-20%
Survey: Consumer's perception	~20%
World Health Organization (low- and middle-income countries)	10%
Consumers	Consumers, based on their experience, expect counterfeiting to be approximately 20%. They typically return the product or complain to the retailer, but rarely report the incidence to the manufacturer's consumer helpline.
Retailers and distributors	Most retailers and distributors do not agree that the prevalence of counterfeiting in pharma products is high. Some distributors expect counterfeiting to be 10-20% across select categories of pharma products.
Industry players – manufacturers / industry experts	Manufacturers expect higher counterfeiting in high-volume products, but lower prevalence in niche high-value products. Common over-the-counter medical devices have seen an increase in counterfeiting post-Covid-19.

*Report on country-wide survey for spurious drugs https://cdsco.gov.in/opencms/opencms/system/modules/CDSCO.WEB/elements/download_file_division.jsp?num_id=MTU1Nw== Source: CRISIL MI&A

perceived to be 10-20% of the overall pharmaceutical market in India. Consumer perception of the extent of counterfeiting in the pharma market is higher at 20% as per a consumer survey conducted across 12 key cities.

As per the report on Countrywide Survey for Spurious Drugs published by CDSCO in 2018 on behalf of the Directorate General of Health Services, the Ministry of Health & Family Welfare, Government of India, the extent of spurious drug in retail pharmacy is much below the projections made by various media, WHO, SEARO, and other studies i.e. only 0.046 % (11 samples out of 24,136 samples). The report mentions according to State Drug Controller, the extent of circulation of spurious drug is about 0.3%, which is way lower than the World Health Organization (WHO) figure of ~10% substandard and falsified medical products in developing countries. As per industry experts, the WHO figure of 10% includes substandard, unregistered and falsified product as well.

The situation worsened during the COVID-19 pandemic. There was a massive jump in counterfeit drugs as the pandemic significantly incentivised illicit products as official supply was restricted and the supply chain was disrupted. The WHO has flagged the threat of fake COVID-19 vaccines circulating in the global market, and many have been arrested for administering falsified vaccines in India.

Unavailability: Key reasons for purchasing counterfeit medicines

Counterfeiting is prevalent in pharmaceutical products whose volumes are very high and value is high. The major reasons of counterfeiting are

leakages in the supply chain and demand and supply gaps. **According to the consumer survey, about 25% of the total respondents willingly purchased counterfeit/duplicate pharma products owing to unavailability of original brands and lower costs.** Pharmaceutical products refer to all healthcare products such as medicines, medical devices, OTC drugs, OTC consumables such as bandages, cotton, ear buds, etc. Counterfeit pharmaceutical products easily enter into the supply chain also due to the demand-supply gap in the domestic market – especially in non-metro cities. Also, out of the total consumers surveyed across different cities; 29% in Indore, 32% in Hyderabad, 23% in Jalandhar and 25% in Chennai came across counterfeit pharmaceutical products.

Extent of counterfeiting: City-wise consumers who have come across counterfeit products in the pharmaceutical sector

Most of the pharmaceutical manufacturers/brands and associations downplay the actual counterfeiting data in the segment. Few years ago, acceptance of counterfeit products was a major issue in the pharmaceutical industry. However, brands have started looking at counterfeiting as a problem as end users have become more vocal about the issue on social media and consumer forums. So brands are more

proactively working to check counterfeiting through various measures such as security holograms, optical variable devices (OVDs), security seal labels and tamper proof packaging. Some brands are also using digital technologies, including coding and serialization which cover components such as barcode, data matrix and radio frequency identification (RFID). Further, digital technologies can help track-and-trace products through the supply chain and also remotely authenticate a product by scanning a product label with a smartphone or by entering a code into a web-platform.

Despite these efforts, many consumers are still clueless on how to check the authenticity of a product. According to the consumer survey, about 33% of total consumers who came across counterfeit products in the pharmaceutical segment were unaware that the product was counterfeit at the time of purchase. Hence, brands should increase consumer awareness on verifying the authenticity of the products before buying them to curb counterfeiting.

DELHI NCR	AGRA	JALANDHAR	MUMBAI	AHMEDABAD	JAIPUR
15%	13%	23%	18%	21%	14%
INDORE	KOLKATA	PATNA	CHENNAI	BANGALORE	HYDERABAD
29%	22%	18%	25%	18%	32%

Figure 12: City wise extent of counterfeits-Pharmaceuticals

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Types of counterfeiting in the pharmaceutical industry

WHO has defined counterfeit drugs as:

- **Substandard:** Also 'out of specification', these are authorised medical products that fail to meet either quality standards or specifications, or both.
- **Unregistered/unlicensed:** Medical products that have not undergone evaluation and/or approval by the national or regional regulatory authority for the market.
- **Falsified:** Medical products that deliberately/fraudulently misrepresent their identity, composition or source.

Counterfeit medicines/drugs have substandard APIs in many cases

The situation is complicated by counterfeit drugs often containing substandard APIs because the producers are keen to avoid detection as well as generate repeat business. The drugs may be ineffective and dangerous as well as difficult to spot because they use APIs from a similar class.

The modus operandi of counterfeiters includes using sub-standard APIs to manufacture drugs and selling them under the original brand name, recycling used vials with intact labels, refilling and re-labelling with packaging similar to branded drugs, imitation, manufacturing without knowledge, reuse beyond the expiry date, and large-scale counterfeiting. Some examples are neomycin eye drops and meningococcal vaccine made with tap water; paracetamol syrup made with industrial solvent; ampicillin replaced by

turmeric; contraceptive pills substituted with wheat flour; and anti-malarials, antibiotics and snake anti-venom containing no active ingredients.

The intensity and number of counterfeit pharmaceutical products are alarming. A more detailed review of the customs data shows that anti-biotics, lifestyle drugs and painkillers were the most targeted by counterfeiters, but also included medicaments for various diseases such as malaria, HIV/AIDS and cancer.

Spurious trade goods: According to an OECD 2020 report, Trade in counterfeit pharmaceutical products, India is the main production / transit location for counterfeit drugs shipped to the EU. It is the origin of 47% of the total value of counterfeit pharmaceutical products seized by EU customs authorities, followed by China (37%) and Hong Kong (8%). Counterfeit seizures can seriously impact exports. As per 2016 data from OECD / EU Intellectual Property Office (EUIPO), India was origin of 53% of the total seized value of counterfeit pharmaceutical products and medicines worldwide.

A recent study by OECD and EUIPO - Trade in Counterfeit Pharmaceutical Products, found that China, India, Philippines, Vietnam, Indonesia, and Pakistan are the leading sources of counterfeit medicines distributed globally.

Less prevalence of counterfeit medicines in organised pharmacy

As per CRISIL MI&A survey, the presence of counterfeit products in the organised supply chain network is negligible as all the transactions take place along with invoice and Goods and Services Tax (GST), which has the manufacturing

date, expiry date and batch code of the medicine. Organised large distributors directly deal with brands and supply to reliable retail pharmacy shops and also provide ERP solutions to retailers to minimise spurious drugs sales.

However, as per the respondents, counterfeiting still takes place mostly in wholesale markets, tier II/III cities and villages where unbilled products without GST are bought and sold. Fake product manufacturers copy the formula and source the raw material (API) locally or from China to manufacture fake copies of the original medicine, which are usually sub-standard, then use the same kind of packaging and brand name to sell the product in the market. These drugs are not as effective as the authentic ones, but they may still work as the formulation is same.

Fake drug manufacturers offer more than 50% margin to wholesale distributors, who further pass on these products in the supply chain, along with original products. End users unknowingly purchase fake products on MRP.

Key markets for counterfeit pharmaceutical products

In India, Bhagirath Palace, Chandni Chowk, New Delhi is said to be the hub for counterfeit and spurious drugs. Bihar, West Bengal, Uttar Pradesh and Gujarat are states where cases of fake and spurious drugs were found in the local markets.

Two other infamous places are Govind Mitra Road, Patna, Bihar (products such as capsules, tablets, injections, powders and syrups); and Fountain Market, Mantola, Agra, Uttar Pradesh (medicines and medical devices such as surgical instruments, capsules, tablets, injections, powders and syrups).

WHO lists ways to identify substandard or falsified medical products

Some falsified medical products are almost visually identical to genuine products and very difficult to detect. WHO too puts down visual examination as the first step by checking the packaging for condition, spelling mistakes or grammatical errors. Then people should check the manufacturing and expiry date and ensure the details on the outer packaging match the dates printed in inner packaging. The medicine should not look discoloured, degraded or have an unusual smell. And any adverse symptom or suspicion needs to be discussed with your doctor.

Methods adopted by the industry to check counterfeiting

The most common method to check counterfeiting by the pharmaceutical company is batch coding, which can be tracked and traced easily for confirming the authenticity of the medicine. Some other measures are:

Tamper evident label: A sealing material for a package or bottle that is typically irreparable once opened, indicating tampering.

Security label: Most brands contain a high security MRP label on their products for easy identification. These labels comply to stringent quality norms and meet the brand's global quality standards.

Serialisation: A unique serial number is assigned to each saleable unit of each prescription product that is linked to information about the product's origin, batch number and expiration date.

Security tear tape: The tear tape is also called tear strip and mainly used for opening and unsealing of products with transparent film packaging. Holographic tear tape technology provides high security and protects brands from counterfeiting.

Tagger foil: Holographic tagger foils come with a hologram of the client's company engraved on it. Using foils helps in portraying products as hygienic, as they have an extra layer of shield from the internal side of the packaging.

Security blister foils: High security blister foil packaging for pharmaceutical manufacturers prevents tampering or counterfeiting, maintaining the uniqueness, originality and authenticity of the products.

GlaxoSmithKline Consumer Health care has each tablet of crocin embossed with 'CROCIN' lettering as an anti-counterfeiting measure.

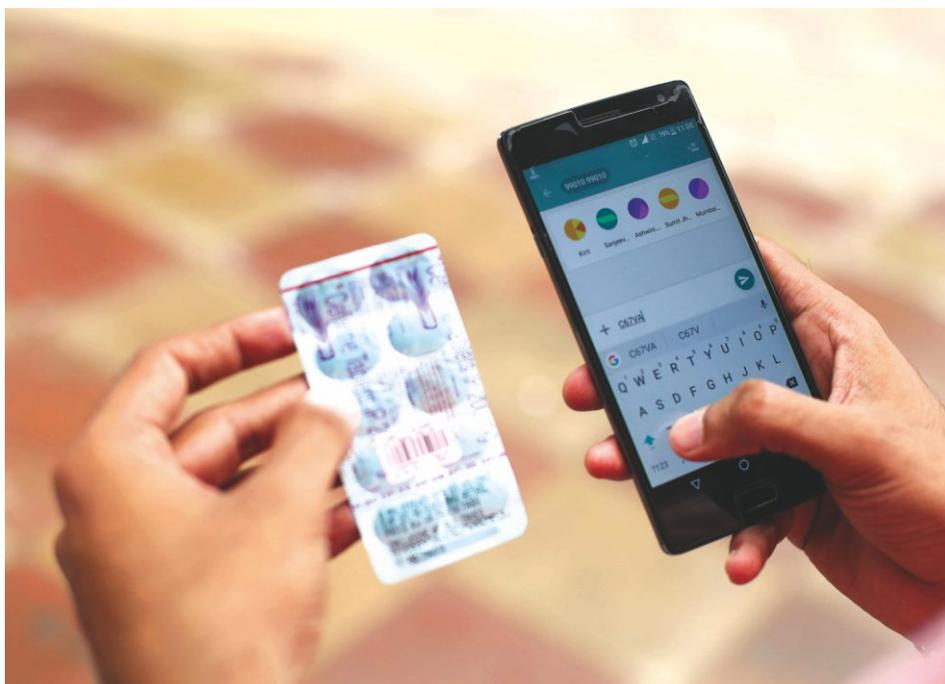
Pfizer India has a dedicated investigative wing, which gathers discrete information. It has a close association with its sub-contractors,

distributors and retailers to get information on counterfeiting from the market. It also follows enforcement action through exchange of information with police officials.

Roche has engaged supply chain security to provide encryption software that enables consumers to verify that their medicine is genuine.

Several companies also use holographic images on medicine foil to prevent counterfeiting of high demand high value drugs

Suspicious medical products should be reported to the National Medicines Regulatory Authority – CDSCO – and not just reported to the shopkeeper or owner or manufacturer.



Laws to protect against counterfeiting

The Drugs and Cosmetics Act 1940:

This Act regulates the import, manufacture and distribution of drugs in India. Its primary objective is to ensure that drugs and cosmetics sold in India are safe, effective and conform to state quality standards. The related Drugs and Cosmetics Rules, 1945 contain provisions for classification of drugs under given schedules, and there are guidelines for the storage, sale, display and prescription of each schedule.

Drugs (Amendment) Rules, 2022:

According to the notification, the new rule, named Drugs (Amendment) Rules, 2022, inserts a sub-rule (5) after the existing sub-rule (4) under Rule 96 of the Drugs Rules, 1945, related to the manner of labelling. The new sub-rule says, **“Every active pharmaceutical ingredient (bulk drug) manufactured or imported in India shall bear quick response code on its label at each level**

packaging that store data or information readable with software application to facilitate tracking and tracing.”

The stored data or information shall include the minimum particulars including unique product identification code, name of the API, brand name (if any), name and address of the manufacturer, batch number, batch size, date of manufacturing, date of expiry or retesting, serial shipping container code, manufacturing licence number or import licence number and special storage conditions required (if any).

The authorities have been considering options to implement technology to track and trace the drugs and raw materials in the past few years.

Recently, as per Government notification GSR 823 (E), Dated November 17, 2022, it has been announced that the top 300 brands of drugs available in the Indian market will need to have QR codes/barcodes to prevent counterfeiting.

Instance of counterfeit pharmaceutical seizures in India

ASPA reported a total of 134 incidence of pharmaceutical counterfeiting in 2021 and 94 in 2020. COVID-19 pandemic led to an increase in counterfeiting incidence in the market especially around products such as PPE kits, masks, medicines for treatment of cough, cold and other covid -symptoms, cased of spurious vaccinations etc. Uttar Pradesh accounted for the highest share in counterfeiting instances for pharma segment, followed by Bihar, Madhya Pradesh and Haryana.

Table 6: Instance of counterfeit pharmaceuticals seizures in India

Sr no.	DD/MM/YY	Location	Incident
1.	13-02-2022	Jaunpur, Uttar Pradesh	Fake antibiotics worth lakhs recovered
2.	27-12-2021	Raipur, Chhattisgarh	Two arrested for selling fake cough syrup brought from Odisha
3.	20-11-2021	Noida, Uttar Pradesh	Fake steroids worth Rs 1.5 crore recovered, three arrested
4.	02-10-2021	Mumbai, Maharashtra	Woman held for selling counterfeit cancer drugs, drugs worth Rs 67.60 lakh seized
5.	03-08-2021	Sasaram, Bihar	Fake cough medicine recovered on NH-2
6.	12-06-2021	Cuttack, Odisha	Fake medicines worth Rs 70 lakh, including Favipiravir recovered in Cuttack
7.	08-06-2021	Mumbai, Maharashtra	The Mumbai Police seize a stock of Favimax 400 and 200 (Favipravir tablets) and hydroxychloroquine tablets worth Rs 1.5 crore
8.	06-05-2021	Panipat, Haryana	Supplier arrested for giving 800 fake Remdesivir injections for 96 lakhs to a medical store operator
9.	16-04-2021	Dharamshala, Himachal Pradesh	Fake Remdesivir drug maker busted in Himachal Pradesh; probe ordered
10.	18-01-2021	Bareilly, Uttar Pradesh	Fake oxytocin supplied in Bareilly district; police raid the factory

FMCG



Industry overview

India's fourth-largest industry, fast-moving consumer goods (FMCG), is driven by a growing preference for branded products, easy access and changing lifestyles. The urban segment is the largest contributor (~55%) to the overall FMCG sector in India. As per CRISIL MI&A, the FMCG market in India was valued at Rs 4,500 billion in FY 2021, with packaged food accounting for 50%, and personal and home care segments for 30% and 20%, respectively.

Counterfeiting in the FMCG segment is highly prevalent as per the industry research and consumer survey, it is perceived to be as high as 25-30%. The level of harmfulness is perceived to be higher for FMCG products, especially in the food segment, yet about 42% of the consumers willingly purchased counterfeit FMCG products as per the consumer survey. About 28% of the survey participants have come across counterfeit FMCG products at least once.

Table 7: Stakeholder/reports for counterfeit expectations-FMCG

Stakeholders	Counterfeit expectation
Survey: Consumer's perception	25-30%
Manufacturers/ industry experts / Associations	20%+
Distributor / Retailers	20-25%
FICCI study 2012	23-26%
FICCI CASCADE 2015 industry report/ AC Nielsen study 2013	30%
FICCI CASCADE 2019 industry report (US Market)	7-10%

Consumers As many as 35-40% of consumers found the FMCG products they had purchased to be fake, but none complained to the manufacturer or consumer forum. They lodged a complaint with the shop owner, who provided an exchange or refund.

Retailers and distributors Retailers and distributor agree that look-alikes and copy products are present in the FMCG distributors market, especially in non-urban areas and low-income-group markets.

Industry players – manufacturers/ industry experts The fake FMCG market is growing faster than the overall FMCG market. Nearly 3 lakh crore FMCG products circulated in India are counterfeit as per the FICCI MASCRAD2021 report. Counterfeiters take advantage of the large unorganised FMCG market and use advanced packaging technology to imitate the original products and replace them with inferior substitutes. Alternatively, they sometimes pass off brands with similar-sounding names as originals. Detergents, disinfectant liquids, cosmetics and packaged food have higher presence of counterfeiting in the FMCG segment.

Source: CRISIL MI&A

Extent of counterfeiting: City-wise consumers who have come across counterfeit products in the FMCG sector

According to FICCI cascade report 2021, the fake/counterfeit FMCG market is growing at an annual rate of 44.4%, which is higher than the growth rate of the overall FMCG market.

Trade of counterfeits and pass-off products is a serious concern for companies in the FMCG sector. The top brands within any category – be it packaged food, detergents or soaps – are affected the most by counterfeiting. As per FICCI report, the grey market size is 26% in FMCG - personal goods and 23% in FMCG - packaged food as per the study conducted in 2012. Complete fake products, look alike products and adulterated products all make up counterfeit products in the FMCG segment.

In the FMCG industry, there is a thin line between counterfeit and adulterated products. Branded products can be counterfeit, but adulteration in unbranded products is pure adulteration. But since both these categories are harmful, they are considered counterfeit products because they are not selling what they claim it to be. A research report by UP-based Harcourt Butler Technical University stated that Kanpur, which is one of the biggest markets for edible oil, has about 70% of adulterated mustard oil in the markets. Kanpur supplies mustard oil to other states. They found 70% adulteration in more than 120 samples of oil of 30 big companies. In 15% of the samples, mustard was less than 20%.

The prevalence of counterfeiting in the FMCG segment is across India, the

wholesale market across the country becomes the major point of entry of these products in the supply chain. Counterfeiters of FMCG products take advantage of the unorganised market and use advanced packaging technology to imitate original products and replace them with inferior substitutes; alternatively, the culprits sometimes pass off brands with similar sounding names as originals. The packaged food sector is most vulnerable to counterfeiting, and it is particularly dangerous because consumption of non-standard or low quality food can cause serious health ailments or even be life-threatening. Low quality counterfeits reduce consumer confidence in branded products. Counterfeits not only hurt the company's top line, but also weaken the brand image.

Moreover, counterfeiting is prevalent in this sector because it is relatively easy to do so and requires small investments.

Products with high volume sales and higher margins are most prone to counterfeiting

The prevalence of counterfeiting is very high in products with high volume sales such as water, salt, flour, sugar, tea, soap, shampoo, milk, and toothpaste, along with higher margin products such as mustard oil, ghee and premium tea.

As per our industry interactions, high volume products witness high instances of completely fake products and lookalike products as they can be easily manufactured at a low cost and with little resources. However, in high value products such as premium tea, ghee, mustard oil and detergents, the instances of adulteration are higher where in low quality products are mixed within the original products.

Counterfeit products enter the supply chain when sold directly to end users by manufacturers or they offer high margins up to 40-50% to distributors and retailers to promote these products. The end users get counterfeit products at a 10-20% lower price than the MRP or sometimes at the same MRP.

Counterfeiting is mostly prevalent in tier II/III cities and villages because consumers are less loyal and less aware about brands than urban customers, and hence they become an easy target for counterfeiters. The spell-alike, look-alike products' performance or efficacy is not at par with the original products and can cause serious harm to consumers.

DELHI NCR	AGRA	JALANDHAR	MUMBAI	AHMEDABAD	JAIPUR
15%	17%	17%	21%	41%	14%
INDORE	KOLKATA	PATNA	CHENNAI	BANGALORE	HYDERABAD
60%	42%	29%	38%	24%	29%

Figure 13: City wise extent of counterfeits-FMCG

Source: Consumer survey, CRISIL MI&A



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Lower cost is driving the purchase of counterfeit products

As per the consumer survey, about 42% of the consumers willingly purchased counterfeit FMCG products out of which 38% of the consumers brought the products due to lower costs, while 26% brought them due to unavailability of original products. Price and the notion that copied products are of good quality drive consumers to buy counterfeit FMCG products. Lack of well-known brands in the interior markets of India creates demand for unorganised players to enter the market with look-alike products.

Types of counterfeiting in FMCG

- **Look-alikes:** The packaging design of these products in terms of colours is almost similar to original or popular brands, while packaging carries a different name. For example, Lalita Amla resembles Dabur Amla, Fighter biscuits resemble Tiger biscuits, Fasline resembles Vaseline and Fair and Life resembles Fair & Lovely.
- **Duplicates:** These are actual replicas of original brands but their shape,

- Leads** —> Internal/external source
- Investigation** —> Third-party investigations
- Evidence** —> Identification/proof of purchase
- Action** —> Civil/Criminal court
- Post Raid** —> Sales impact analysis
—> Follow-up to check resurfacing

Figure 14: Methods adopted by the industry to check counterfeiting
Source: CRISIL MI&A

design, colour, packaging and ingredients are substandard. For instance, premium tea is mixed with low quality tea leaves, ghee is made with urea, mustard oil is mixed with substandard oil. Duplicate products can cause serious harm to consumer health.

Methods adopted by the industry to check counterfeiting

Most FMCG companies have anti-counterfeiting departments, which hire third-party consultants to keep a check on counterfeiting. These follow the following process:

Tata Consumer Products, Hindustan Unilever, Godrej Consumer, Dabur, and Emami regularly engage with third party investigators, police, and government to conduct raids and seizures. FMCG manufactures are also setting up in-house brand protection department to keep a close watch on the supply chain, as well as using anti-counterfeiting solutions, such as QR codes, holograms, tamper proof packaging, real-time track and trace, etc. However,

they are hesitant to talk about this issue openly. Also, there is lack of communication with consumers. To lower counterfeiting in the segment, consumer needs to be educated on using mobile app scanners to check QR codes, and check holograms and packaging details before using the products. That said, ~35% of consumers who came across counterfeit FMCG products were unaware that the products were counterfeit, as per the survey. This is the highest among all segments.

To be sure, few brands have started providing clear and informative visual guides of their products, showcasing how consumers can differentiate real and fakes. For instance, Bisleri went viral with its #HarPaaniKiBottleBisleriNahin campaign. Brands are also opting for security hologram labels to ensure enhanced brand protection, identify signs of tampering, and help easily identify fake products.



Laws to protect against counterfeiting

The Food Safety and Standards Act, 2006 consolidated laws and established the Food Safety and Standards Authority of India, which lays down standards for food articles, and regulates its manufacture, storage, distribution, sale and import, to ensure safety for human consumption.

Key markets for counterfeit FMCG products

As per CRISIL MI&A, FMCG counterfeiting takes place across India. However, it is higher in Bihar, Delhi, Madhya Pradesh, and Uttar Pradesh.

Instances of counterfeit FMCG seizures in India

ASPA reported a total of 102 incidence of FMCG counterfeiting in 2021 v/s121 in 2020. Packaged goods sub-segment saw higher incidence (75-85% share) as compared to personal goods.

Table 8: Instances of counterfeit FMCG seizures in India

Sr no.	DD/MM/YY	Location	Incident
1.	13-03-2022	Ghazipur, Uttar Pradesh	Two shopkeepers selling fake salt arrested
2.	09-03-2022	Kausambi, Uttar Pradesh	Two arrested with fake tea
3.	16-02-2022	Panchkula, Haryana	Factory of counterfeit toilet cleaner unearthed
4.	04-02-2022	Indore, Madhya Pradesh	Fake asafoetida worth Rs 50 lakh seized
5.	15-12-2021	Bhind, Madhya Pradesh	Salt sold under fake Tata brand in Bhind; 106 kg recovered
6.	14-09-2021	Khandwa, Madhya Pradesh	FDA Department caught fake branded water from beverage Factory
7.	04-08-2021	New Delhi	Fake detergent powder manufacturing factory located in Narela; owner arrested
8.	31-07-2021	Gorakhpur, Uttar Pradesh	Police raided and seized 375 litres of fake mustard oil
9.	25-06-2021	Aligarh, Uttar Pradesh	Fake energy drinks and injections seized
10.	20-01-2021	Gwalior, Madhya Pradesh	Fake milk and ghee made from urea, acid, detergent powder, and wax

Automotive



Industry overview

The automotive industry in India is one of the largest in the world, and accounted for 7.1% of the country's GDP for fiscal 2021. The sector has grown sharply on rising demand, thereby prompting automakers to undertake considerable investments. As per CRISIL MI&A, total passenger vehicles sold in India stood at 3.07 million in fiscal 2022, and commercial vehicles and two-wheelers, 0.7 million and 13.45 million, respectively.

The Indian auto components industry was valued at ~Rs. 4,138 billion during the fiscal. The industry, however, is highly fragmented, with over 600 players operating in the organized segment and many unorganized players catering to the replacement market. Organized players cumulatively contributed ~75%

of industry revenue in fiscal 2021. The replacement auto component market size, though, was also sizeable at Rs 645 billion, which is expected to grow at 7-9% CAGR between fiscals 2021 and 2026.

While the original equipment manufacturer segment does not have to contend with counterfeiters on account of direct sales from company-controlled channels, but the after market is often the target of illicit activity, primarily comprising defective auto components and accessories. Counterfeiters have considerable opportunity to infiltrate the supply chain because of the vast product portfolio within the segment. Counterfeit versions of parts such as clutches, filters, lamps, wipers, bearings, steering arm, brakes, and brake linings having high availability.

Table 9: Stakeholder/reports for counterfeit expectations-Automotive

Stakeholders	Counterfeit expectation
FICCI study 2012/ Automotive Component Manufacturers Association	~30%
Original equipment manufacturers (OEMs)/ aftermarket workshops/ service centres/ industry experts	20-25% overall; 30-40% in aftermarket
Survey: Customer's perception	25%
Associations / Industry experts	20-25%

Consumers Customers are aware of high prevalence of counterfeiting in the auto-components industry. Price-sensitive customers in the non-urban market are easy targets.

Industry players – manufacturers/ industry experts/ workshops Counterfeiting is prevalent in suspension breaking items, drive transmission and consumables, which contribute almost 50% of the automotive parts business. Even the sticker of a genuine part is available to counterfeiters at a lower price. The counterfeit industry is on the rise because of lack of consumer awareness, ease of manufacturing and packaging, and import of counterfeits.

Auto companies are aware of counterfeiting and are collaborating with not only auto-parts OEMs but also component suppliers, branded automotive workshops and independent automotive workshops for delivery of genuine parts.

Source: CRISIL MI&A

The high proliferating is not only in cars, but also in two-wheelers, buses, and trucks. Counterfeiting is highly prevalent in lubricant oil and all other types of auto spare parts; as per the service centre survey, counterfeit mechanical parts are the highest followed by electrical parts and interiors parts.

The extent of counterfeiting in the automotive segment is estimated at 20-25% by industry experts and service centres. In fact, a FICCI, Automotive Component Manufacturers Association study, and industry sourcing indicated that nearly 30% of automobile components in the after market in India were counterfeit.

Counterfeit parts pose enormous risk to safety

As per a report by the Ministry of Road Transport and Highways (MORTH) and the Society of Indian Automobile Manufacturers Association (SIAM), 20% of road accidents in India were because of mechanical failure of auto components, with several of these accidents on account of faulty and counterfeit parts. Yet, India lacks mandated safety standards for aftermarket products because of which import of counterfeit products cannot be checked, and neither is it possible to gauge the unorganised sector's production and trading of counterfeit parts. Additionally, genuine parts are not easily available, especially for older vehicle variants, which results in purchase of counterfeits.

About 90% of service centres surveyed felt that using counterfeit auto parts were moderately harmful. And ~40% of these stated that they were able to identify fake products by looking at the branding and design of the product.

In automotive segment, end-users are usually not directly involved in the purchase of auto components. These are mostly purchased by mechanics, garage owners, and service centres on behalf of the end-users. Lower cost of the fake products is a major driver for purchase of counterfeit products. Still, as per the consumer survey, ~36% of customers willingly purchased counterfeit auto parts, of which, 41% brought it due to lower cost or because of lack of product availability.

Extent of counterfeiting: city-wise consumers who have come across counterfeit products

Prevalence of counterfeit auto component products is across cities. However, it was the highest in Chennai, Indore, and Patna, according to the consumer survey.

Largely, counterfeit auto parts have the following:

- Pitman arms with mis-spelt name, and do not meet the minimum requirement of OEM fatigue test
- Brake pads are made of poor-quality steel backing plates, with weak or no shim bonding to the back plate. Also, brake pads are made of inferior products, such as compressed wood chips and sawdust.

- Counterfeit windshields fit poorly, causing wind noise, leakage, and appearance issues. These are often not shatterproof glass. Also, untested fuel filters are sold in attractive packing.

DELHI NCR	AGRA	JALANDHAR	MUMBAI	AHMEDABAD	JAIPUR
10%	15%	17%	9%	18%	14%
INDORE	KOLKATA	PATNA	CHENNAI	BANGALORE	HYDERABAD
26%	4%	34%	38%	15%	12%

Figure 15 : City wise extent of counterfeits-Automotive
Source: Consumer survey, CRISIL MI&A

Identifying a counterfeit automotive component

In most cases, the customer is not directly involved in the purchase of an auto component. Customers rely on service centres for auto component purchases, and as the auto service industry is unorganized, it is inclined to source counterfeit products.

Methods adopted by the industry to check counterfeiting

OEMs conduct regular raids against traders and manufacturers dealing in counterfeit products. The companies have in-house intellectual property right enforcement teams, which work along with the local police to keep a check on counterfeit products.

Companies in the automotive segment are also selling auto parts directly to end-users, and using anti-counterfeiting measures, such as holograms on products, security MRP labels with holograms, bar codes, and QR codes on the packaging, which can be easily identified by the brand protection team during audits of distributors, as well as by incentivising mechanics, garage owners, and service centres to use genuine parts by providing them cashback/ monetary benefits for each genuine product used.

- **Laser-marking serialisation:** Laser-marking of the data matrix for traceability and security purposes is an important aspect of the automotive industry. Industrial laser markers and marking systems are ideal for marking legible alphanumeric serial codes, 1D barcodes, and 2D data matrix codes on nearly all materials, including gears and bearings
- **Creation of separate brand:** To address counterfeiting in auto parts, Maruti Suzuki has created a separate brand, Maruti Genuine Parts, or MGP. There are more than 480 MGP retail outlets that supply parts to Maruti Suzuki workshops as well as local garages. There are also over 80 MGP distributors that store parts and accessories, such as brake pads, coolants, bumpers, clutches, etc, and these can be ordered online in 100+ cities as well across India through the Maruti Suzuki Genuine Accessories website.

Duplicates → The products are completely fake and are often used in the after-sale market because of their low costs and visual similarity.

Defective original parts → In cases where manufacturers outsource production of components, certain production overruns of legitimate parts find their way to the grey market, being sold alongside counterfeit, recycled or stolen goods. The mixed sale of unauthorized 'legitimate' goods and counterfeits makes it difficult to control the market, and differentiate legal from illegal items.

Tampering/ Re-packaging → Counterfeit automotive components entering the supply chain through local manufacturing, import from China in the form of fake packaging, or in original packaging sourced from mechanics or service stations.

Figure 16: Types of counterfeiting

Table 10: Most commonly counterfeit parts and accessories

Engine and exhaust	Suspension and braking	Body and structural	Electrical components
Oil filters, air filters, distributor caps, fuel filters, coolant and transmission fluids, bearings, oil pumps, water pumps, spark plugs, piston and piston rings, lubricants, sealing rings	Steering arms, tie rods, barkers, brake linings	Sheet metals, bumpers, windshields	Alternators spares, head lamps, tail lamps, wipers, starter motor spares

Source: ACMA/FICCI



Laws against counterfeiting

Notification allowing motor vehicles and parts to be affixed with microdots:

The Ministry of Road Transport & Highways issued a draft notification, GSR 521(E), on July 24, 2019, amending the Central Motor Vehicle Rules, allowing motor vehicles and their parts, components, assemblies, and sub-assemblies to be affixed with permanent and nearly invisible microdots that can be read physically with a microscope and identified with an ultraviolet light source.

Key markets for counterfeit automotive parts in India

The auto services aftermarket is acutely unorganised in India, which is the key reason for prevalence of counterfeit auto components. There are many unorganised garage and service centres for all types of vehicles across India, where chances of getting counterfeit products are high.

Instances of counterfeit auto component seizures in India

The reporting for auto components is low for ASPA, but the counterfeiting in auto components is tracked by OEM and manufacturing industry associations.

Table 11: Instances of counterfeit auto component seizures in India

Sr no.	DD/MM/YY	Location	Incident
1.	07-02-2022	Sitamarhi, Bihar	Fake TVS Motor parts located; shopkeeper arrested
2.	09-12-2021	Hathras, Uttar Pradesh	Two arrested while selling counterfeit brakes
3.	27-11-2021	Sitapur, Uttar Pradesh	Four arrested for selling counterfeit parts
4.	10-07-2021	New Delhi	Factory manufacturing fake bike tubes raided; owner arrested
5.	17-02-2021	Bihar, Muzaffarpur	Shopkeeper selling fake tubes of branded company jailed
6.	05-09-2020	Jaipur, Rajasthan	Factory manufacturing fake motors of branded company seized
7.	26-02-2020	Ghaziabad, Uttar Pradesh	Individuals arrested for selling fake tubes
8.	17-02-2020	Hathras, Uttar Pradesh	Four shopkeepers caught, including sellers of fake auto parts of Bajaj Auto
9.	04-11-2019	Ghaziabad, Uttar Pradesh	Fake tyre and tube factory raided; two brothers arrested
10.	27-09-2019	Lucknow, Uttar Pradesh	Fake auto parts sold; two arrested



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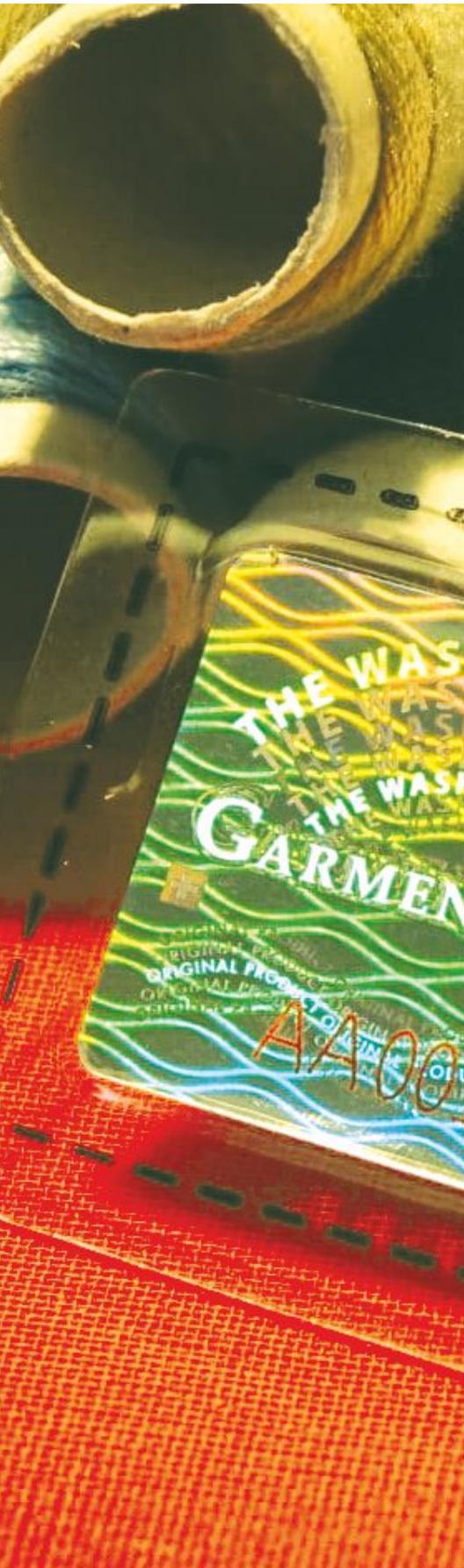
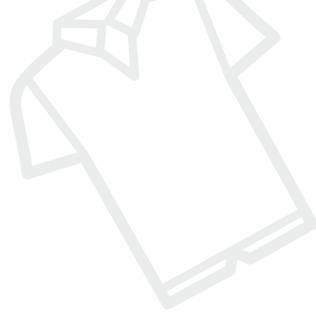


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Apparel



Industry overview

The domestic readymade garment (RMG) industry in India was estimated at Rs 2,653 billion in fiscal 2021, and exports, ~Rs 907 billion. By fiscal 2024, the domestic RMG market is projected to reach Rs 3,800 billion, which is a growth of 18-23% CAGR over fiscal 2022.

Apparel is one of most counterfeit products globally, with counterfeiters copying famous and expensive brands.

The level of counterfeiting in this segment is expected to be between 30-40%, as per CRISIL's consumer survey. Unlike other industries, it is easier to make fake fashion products; counterfeiters replicate the look and put the brand's name on it. Also, the willingness to purchase counterfeit products among consumers is the highest in this segment, and perception of harmfulness is the lowest, as per the consumer survey.

Table 12: Stakeholder/reports for counterfeit expectations-Apparel

Stakeholders	Counterfeit expectation
Associated Chambers of Commerce and Industry of India (luxury apparel)	~5%
Industry experts/ brands: FICCI MASCRADE report 2019	50-60% in apparels and 40% in sporting goods by volume
Manufacturers/ retailers/ distributors	25-35%
Survey: Consumer's perception	30-40%
Associations / Industry experts	20-30%

Consumers Many customers do not mind buying first copies of luxury or apparel products. Customers aged 20-30 largely prefer buying counterfeits on account of price sensitivity, more options at a similar price, and latest fashion trends.

Retailers and distributors Retailers and distributors have a long association with brands and believe counterfeit apparels are sold by the unorganised segment. The unorganised segment contributes to nearly 60% of the Ready-Made Garments market in value terms and is a major contributor to counterfeits. The market has cheap replicas of the well-known brands as well as good first copies of branded products that are difficult to identify.

Industry players – manufacturers/ industry experts Apparels are among the most counterfeit products, and counterfeiters have copied many famous and costly brands. The unorganised segment, e-commerce and reseller platforms make it easy for counterfeiters to sell fake products. Many consumers knowingly purchase fake branded items, especially luxury items such as watches, purses, shoes and apparel. Consumers are aware that the utility of the particular product may not be long-lasting as the original one, but they want the society to believe they are consuming quality material. Consumers think that counterfeiting is acceptable as long as it does not have any adverse impact on their health or well-being.

Source: CRISIL MI&A

With e-commerce becoming a popular means of shopping, the instances of counterfeiting has only increased. The Associated Chambers of Commerce and Industry of India estimates that counterfeits are ~5% of the total luxury market in India, with growth largely driven by e-commerce websites; accounted for 25% of the market of counterfeit products.

Extent of counterfeiting: City-wise consumers who have come across counterfeit products

In India, counterfeit apparel products are available across the country; however, it is highest in Ahmedabad, Chennai, Indore, and Kolkata. Though Delhi and NCR region is known to be the source of 60-70% counterfeit apparel products as per industry interactions.

The proliferation of counterfeit apparel is large because of a burgeoning middle class looking to buy trending branded clothes at low cost. Premium brands usually see higher counterfeiting. As per the retailer survey, the wedding apparel segment has a higher level of fake products, followed by luxury brands and sportswear.

That said, ~75% of retailers were able to identify fake products by its branding and logo. Majority of those said that the margin on counterfeit products was between 30-40%, which was lower vis-à-vis branded products, but higher than non-branded products.

Manufacturers of branded apparel are well aware about the issue; however, they are not concerned about fake products as consumers buying counterfeit brands are not their target audience, especially in the wedding wear and luxury segments. However,

sportswear and undergarment brands are affected by counterfeiting and, hence, brands such as Jockey, Bodycare, and many regional brands are using holograms and barcoding on their packaging.

Types of counterfeiting in apparel

Several global brands in India have recently encountered a dip in sales owing to fakes. Counterfeit in high-end fashion brands are through:

- Import of factory seconds and offering these at heavy discounts online, and organising special sales at popular markets
- Creating groups on WhatsApp to offer counterfeit products
- Producing replicas (most common in the apparel industry)
- Using other social media platforms to sell/distribute counterfeit products

The market for counterfeits is now rapidly moving from fashion streets to online platforms, where anonymity helps the seller to sell and distribute counterfeit goods with ease. Further, this has taken counterfeit goods to tier-II and -III cities. Counterfeit sellers are also making use of loopholes in the system. As per a News18 report, during an investigation carried out by a team of brand investigators, it was found that in the case of apparel, at least 40% of the

listings were by duplicate manufacturers on e-commerce websites. These websites also did not provide an option to report if a consumer found the product to be counterfeit, thereby causing economic loss to the consumer.

Also, consumers knowingly purchase first and second copy of brands online. Apart from luxury brands, sportswear brand counterfeiting is most common. Sportswear is growing at a fast rate as youngsters are increasingly becoming health conscious and fitness enthusiasts. To cater to the high demand, many Indian brands have entered the sportswear market, providing quality products at affordable prices. This has somewhat reduced demand for second copy premium sportswear products.

Meanwhile, online retailers are shrugging off responsibility by claiming to be intermediaries.

DELHI NCR	AGRA	JALANDHAR	MUMBAI	AHMEDABAD	JAIPUR
23%	13%	17%	12%	50%	14%
INDORE	KOLKATA	PATNA	CHENNAI	BANGALORE	HYDERABAD
89%	47%	29%	42%	15%	35%

Figure 17 : City wise extent of counterfeits-Apparel

Source: Consumer survey, CRISIL MI&A

Identifying counterfeit apparel

Identifying counterfeit apparel can be challenging. In most cases, counterfeiters can copy all the tags and labels. Most times, consumers realise the product is counterfeit only after using it. However, brands are taking initiatives such as using holograms and adopting bar coding to keep a check on counterfeiting.

Laws against counterfeiting

The apparel industry in India needs stringent laws against counterfeiting. While India has the Trademarks Act, 1999, it does not define 'counterfeit'. However, Sections 102, 103 and 135 provide for certain civil and criminal remedies in cases of brand counterfeiting and trademark infringement. The Act provides for a punishment of six months, extending up to three years and a fine of up to Rs 0.2 million.

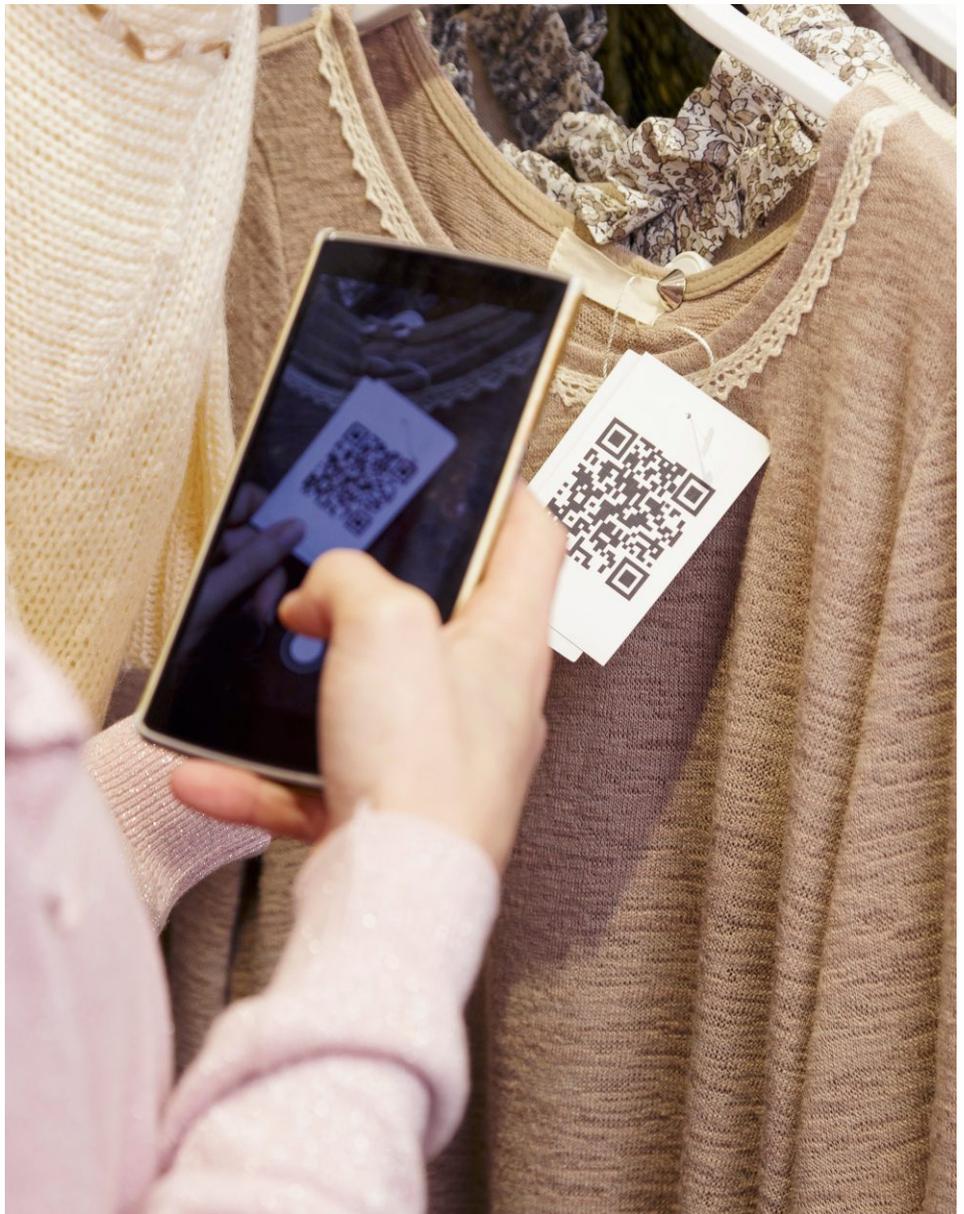


Table 13: Types of counterfeiting in apparel sector

Deceptive counterfeiting	Non-deceptive
<ul style="list-style-type: none"> Consumers unknowingly purchase counterfeit apparel at the price of an original product 	<ul style="list-style-type: none"> Consumers knowingly/willingly purchase counterfeit products at very low price
<ul style="list-style-type: none"> Lack of awareness / fake brand websites are key reasons for this type of counterfeiting 	<ul style="list-style-type: none"> Attempt to possess something that is not widely available and affordability are major drivers that lead consumers to willingly purchase counterfeits
<ul style="list-style-type: none"> Upper middle and high income groups are targets 	<ul style="list-style-type: none"> Young consumers and middle income group have turned to fakes
	<ul style="list-style-type: none"> Apparel such as wedding costumes, occasion wear, branded luxury western apparel, and sportswear are mostly counterfeit
	<ul style="list-style-type: none"> Consumers are aware of markets where these products can be found

Key markets for counterfeit apparel in India

Some of the key markets infamous for counterfeit apparel in India are as follows:

Heera Panna, Mumbai - A major indoor market located in the heart of Mumbai known for high-quality counterfeit watches, footwear, apparel, accessories, and cosmetics.

Palika Bazaar, New Delhi - Shoppers at this underground market are typically youngsters who want trendy products at cheap prices, and tourists.

Tank Road, Delhi sells counterfeit products, including apparel and footwear. Wholesale counterfeit goods are also reportedly supplied to other Indian markets, such as Gaffar Market and Ajmal Khan Road.

Chandni Chowk, Delhi sells the first and second copies of the wedding and occasion wear apparel of well-known brands.

Palika Bazar, Heera Panna, Kidderpore, and Tank Road were listed by United States Trade Representative among the world's notorious markets in 2021, reported to being engaged in or facilitating counterfeiting or copyright piracy.

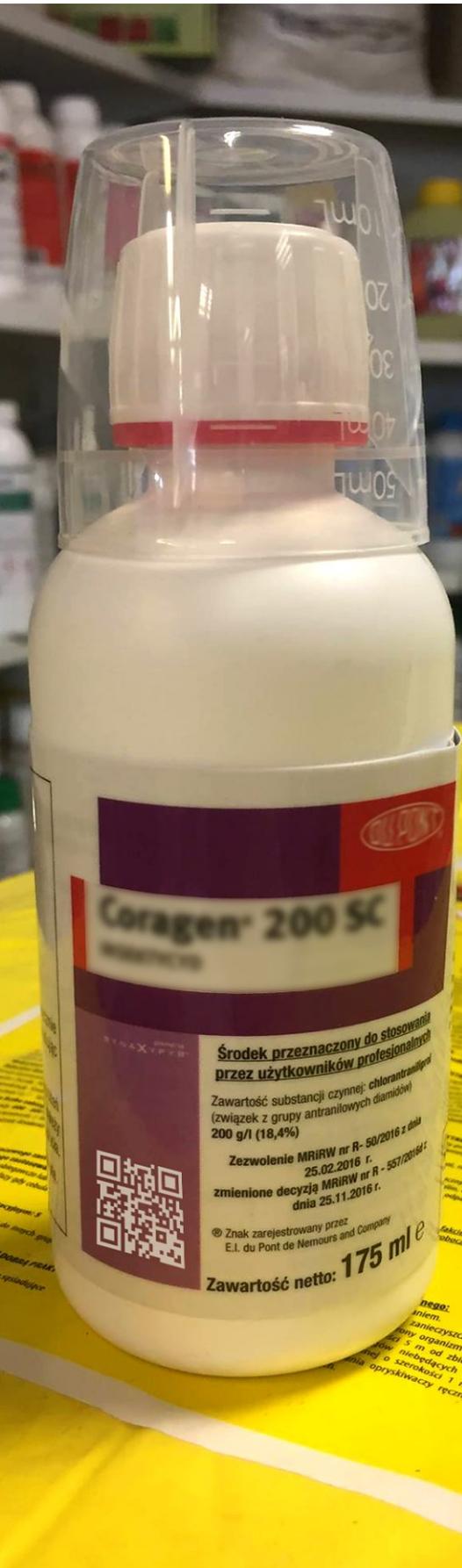
Instances of counterfeit apparel seizures in India

Apparel categories counterfeiting are very difficult to trace because the unorganized market is full of replicas of branded products. Some sellers sell counterfeit products claiming them to be genuine branded products and sell the products at slightly lower prices to attract customers and earn high margins. ASPA have recorded 19 such instance in 2021 and 8 instances in 2020 for lifestyle and apparel category. Some the instances are detailed below.

Table 14: Instances of counterfeit apparel seizures in India

Sr no.	DD/MM/YY	Location	Incident
1.	07-01-2022	Madurai, Tamil Nadu	Sale of fake shirts in the name of famous companies
2.	04-01-2022	Roorkee, Uttarakhand	Fake clothes being sold in the name of branded
3.	17-04-2021	Ranchi, Jharkhand	Police crackdown on fake jeans and shirt factory
4.	21-02-2021	Meerut, Uttar Pradesh	Man held in Meerut for selling fake branded apparel
5.	01-11-2020	Gandhinagar, Gujarat	12 arrested for selling 17 big-brand fake clothes from Telangana
6.	26-10-2020	Meerut, Uttar Pradesh	Fake shirt of INR 25 lakh caught
7.	14-01-2020	Bhopal, MP	Police raided a fake jeans market named after branded companies in Bhopal
8.	09-10-2019	Noida, Uttar Pradesh	Two brothers arrested for selling fake shirts with the name of branded companies

Agro products



Industry overview

One of the largest sectors in India, agriculture contributed 20.2% to the GDP in fiscal 2021. It also provides employment to many people. Agrochemicals are a key input required for crop protection and better yield during both pre- and post-harvest stages. Agro chemicals significantly contribute towards national food security. Judicious use of crop protection chemicals supports sustainable farm management and delivers socioeconomic benefits to meet the challenge of feeding India's population.

The Indian pesticide industry is expected to grow 11-12% on-year to Rs 695 billion by FY 2024 from ~Rs 588 billion in FY 2022. The domestic pesticide industry and exports contribute an equal share. Insecticides form the largest segment, accounting for 56% of total pesticides in India, followed by herbicides (23%), fungicides (20%) and other pesticides (1%). Several factors will drive future growth – increasing population, decreasing arable land, growing demand for high-value agricultural products, and increasing efforts by the industry and government to promote awareness and technology penetration.

Table 15: Stakeholder/reports for counterfeit expectations-Agro products

Stakeholders	Counterfeit expectation
FICCI-TATA Strategic Management Group (TSMG) report 2015	~25% by value and ~30% by volume
Survey: Consumers/ farmers perception	~30%
Retailers/ distributors/ manufacturers	30-35%
Associations / industry experts	30-35%
Consumers	Price is a major factor in the buying decision of agrochemicals, but awareness of risks associated with counterfeits is important. As many as 40% of farmers bought counterfeit products because of low price. Perception of harmfulness of agrochemicals is moderate among farmers as per the survey findings, leading to more farmers buying counterfeits.
Retailers and distributors	Availability of agrochemicals during the peak demand season and inflation determine demand for counterfeits in the market.
Industry players – manufacturers/ industry experts	The counterfeit market is growing faster than agrochemicals supply, leading to higher penetration of counterfeits. Further, with higher prices and lower yields and earnings, a higher number of farmers are looking for low-priced alternatives. Some of the key states affected by counterfeits are Uttar Pradesh, Jharkhand, Madhya Pradesh, Andhra Pradesh, Telangana, Haryana, Maharashtra, West Bengal, Karnataka and Tamil Nadu. Usage of counterfeits can reduce the yield of the crop by 3-4%, impacting earnings of farmers, but such assessment and evidence of benefits of genuine products (which are priced higher) are not accessible to all farmers. Counterfeits also impact the effect of certain chemicals, leading to pests developing resistance – the counterfeit agrochemicals may not have the right mixture of active ingredients (if any), or may have some banned ingredients.

Source: CRISIL MI&A

However, the growth of counterfeit agro products is posing a challenge. The market for counterfeit agro chemicals is perceived to be as high as 30-40%. The counterfeiting in pesticides is highest due to higher volumes; as per a retailer survey conducted by CRISIL, it is 30-35%. The margin on counterfeit products is 30-35%, which makes it a lucrative for distributors and retailers. In Agro-chemicals sector, most consumers believed counterfeits make up 30% of the agro-chemicals market as per the survey conducted by CRISIL-ASPA.

As per a FICCI report, non-genuine/illegal pesticides account for ~25% by value and ~30% by volume of the domestic agrochemical market in India. These products are inferior formulations that are unable to kill the pests, or kill them efficiently. Some of the products work well but leave by-products that may significantly harm the soil and the environment. Apart from crop loss and damage to soil fertility, use of non-genuine products leads to revenue loss for farmers, agrochemical companies and the government. For example, Kashmiri apple farmers reported a 60-70% decrease in production of apples due to fake pesticides.

The issue of counterfeit agrochemicals is prevalent across various countries. In 2020 status report of the European Union Intellectual Property Office (EUIPO) the sales of legitimate pesticides decreased by an average of 4.2% across the EU due to the presence of counterfeits. This equates to a loss of direct sales of EUR 0.5 billion per year.

Extent of counterfeiting: City-wise consumers who have come across counterfeit products

There are various reasons for the high prevalence of counterfeiting in agro chemicals products, which includes demand supply gaps, lack of consumer awareness, unavailability of original products, and lower cost. As per the consumer survey, ~35% consumers willingly purchased the counterfeit agro chemical products; out of these, 40% brought them due lower cost and 31% due to the non-availability of original products. Consumers in Chennai, Hyderabad and Kolkata had seen higher instances of counterfeit agro chemical products as compared with other cities.

Types of counterfeiting in the agro products industry

There are three main forms of counterfeit pesticides.

a. Fake pesticides: These products are often sold in simple packs (white bottles) with minimal information on the label about their use and no mention of any health or environmental precautions. They contain anything from water or talc to diluted and outdated or obsolete stocks, including banned or restricted materials. Some fakes also provide a degree of biological control, as they sometimes may contain an illegal and untested copy of the proprietary active substance.

b. Counterfeit of genuine branded products: These are sophisticated copies of legitimate branded products, usually with high-quality labelling and packaging. Most contain a copy of the original active substance; however, their efficacy is often diminished owing to a high level of impurities and process by-products. It is often difficult to distinguish such products from genuine ones. Mostly, farmers are fooled into buying them unknowingly in the absence of proper education and awareness. In various cases, counterfeiters purchase genuine, empty bottles from farmers for as high as 25% of the MRP mentioned on the original bottle. The counterfeiters then put substandard ingredients into the bottle and resell it.

c. Illegal parallel imports: These are legitimate parallel traded products substituted with illegal generic copies, repackaged and sold as legitimate products.

Key reasons behind counterfeiting in agro products

Low consumer awareness and lack of monitoring are the reasons behind high counterfeiting in agro products. The problem is growing because of various factors, such as:

a. Difficulty in identification of fake products due to lack of awareness: In India, most farmers lack awareness of the usage and identification of pesticides. Many do not ask for specified chemicals or brands, and

DELHI NCR	AGRA	JALANDHAR	MUMBAI	AHMEDABAD	JAIPUR
15%	4%	9%	14%	12%	7%
INDORE	KOLKATA	PATNA	CHENNAI	BANGALORE	HYDERABAD
11%	22%	13%	40%	12%	21%

Figure 18: City wise extent of counterfeits-Agro chemicals

Source: Consumer survey, CRISIL MI&A

often ignore if specific details are not available on the products. Ironically, even though food manufacturers and producers are consumer-oriented companies, they do not publicly highlight this issue. Many food companies do recognise the challenges, but prefer to resolve these quietly and directly with their suppliers. Farmer organisations and co-ops must play a leading role in increasing awareness about the risks of using counterfeits.

b. Lack of monitoring and surveillance: Since the responsibility of enforcement is divided between regional and national authorities, political divisions and sensitivities have led to weak enforcement coordination and action. At the national level, this requires multi-disciplined specialist teams with skills in policing and prosecution, chemicals, agriculture, customs, environment, etc. The skills are available, but are often not working in conjunction.

c. Inadequate judicial frameworks and penalties: India does not have adequate legislation to properly prosecute counterfeiting.

Identifying a counterfeit agro product

Farmers do not have any tool/medium to differentiate genuine pesticides from fake ones at the time of purchase. Due to lack of awareness and illiteracy, they rely on the visual appeal and can only check the quality of products with the marking of ISI/AGMARK. However, with advancement in digital technology, it has become easy for unethical manufacturers to produce fake ISI/AGMARK products as well.

Integrated with track-and-trace technologies, tools such as security hologram seals and labels, tamper-evident security films, low-cost transponder tags, and light-sensitive ink

designs can help farmers and enforcement authorities identify genuine and fake pesticides. However, educating them on these tools is crucial and needs to be done on a mass level.

Laws to protect against counterfeiting

India's proposed Pesticide Management Bill, 2020, which is supposed to replace the Insecticides Act of 1968, is the country's most important development related to pesticides in recent years. The bill, which has been in circulation and discussion since 2008, would set up a Central Pesticides Board to advise the central and state governments on pesticides, and regulate their production, sale and use. It will issue licences to the manufacturers and retailers of pesticides, empowering the central government to ban hazardous pesticides. However, activists and concerned scientists argue that the bill has several significant gaps.

Key markets for counterfeit products

Uttar Pradesh, Bihar, Madhya Pradesh and Jharkhand are the most affected states

The problem of non-genuine/illegal pesticides has spread across India, with hardly any region not affected by it. Uttar Pradesh, Bihar, Madhya Pradesh, Jharkhand, Karnataka, Haryana, Maharashtra, Tamil Nadu, and Andhra Pradesh are most affected by the menace of counterfeit pesticides.

Instances of counterfeit agro product seizures in India

ASPA recorded 32 instances of fake agro-products in 2021 and 21 instance in 2020.

Table 16: Instances of counterfeit agro product seizures in India

Sr no.	DD/MM/YY	Location	Incident
1.	25-03-2022	Purnia, Bihar	Fake fertiliser factory busted
2.	07-03-2022	Begusarai, Bihar	Fake pesticide drug factory busted
3.	24-02-2022	Gopalganj, Bihar	Fake urea factory exposed
4.	20-01-2022	Prayagraj, Uttar Pradesh	Fake DAP fertiliser factory busted
5.	20-01-2022	Khagaria, Uttar Pradesh	Fake fertiliser business exposed once again
6.	27-11-2021	Chitrakoot, Madhya Pradesh	Fake fertiliser factory unearthed, 300 sacks recovered
7.	25-11-2021	Jabalpur, Madhya Pradesh	Crime branch raids on suspicion of selling fake pesticides in Jabalpur, 19 lakh stock found from shop
8.	04-09-2021	Ludhiana, Punjab	Counterfeit pesticides, fertilisers seized in Ludhiana, six booked
9.	07-08-2021	Kushinagar, Uttar Pradesh	Fake fertiliser factory busted, 675 kg of duplicate fertiliser recovered, owner arrested
10.	02-08-2021	Delhi	Delhi police busted a spurious pesticide-manufacturing plant in Mundka, two arrested

Source: ASPA

Consumer durables



Industry overview

The consumer durables industry can be broadly classified into two segments: consumer electronics and consumer appliances. Consumer electronics consist of mobiles, televisions, music players, etc. Consumer appliances can be further categorised into brown goods and white goods. White goods include refrigerators, washing machines, air-conditioners, speakers, air coolers, and audio equipment. Brown goods include mixers, grinders, microwave ovens, iron, electric fans, cooking range, chimneys, etc.

The Indian appliance and consumer electronics market is estimated at Rs 3.2 trillion for fiscal 2021. It grew at 10-11% CAGR over fiscals 2015-21, and is expected to grow at 12-16% CAGR till fiscal 2025.

As per industry sources, the counterfeit consumer durable products market is growing rapidly with the increase in penetration of consumer durables in rural areas. Around 4.4% of the consumer complaints filed with the National Consumer Helpline from January to September 2018 related to etc.

Table 17: Stakeholder/reports for counterfeit expectations-Consumer durables

Stakeholders	Counterfeit expectation
Association / Industry experts	5-10%
Survey: Consumer perception	~25%
Retailers: unorganised market	5-15%
FICCI study 2012: Computer hardware and mobile phones	20-27%

Consumers Online purchases have led to higher cases of counterfeit items; offline organised retail has lower incidence of counterfeits for large consumer electronics. Small consumer durables such as kitchen electronics, music devices, lighting devices, computer hardware parts, and electronic hardware parts are some of the items for which consumers have received counterfeit versions.

Retailers and distributors Organised retailers, on account of association with brands and to ensure trust of consumers, do not engage in counterfeiting. The non-urban and unorganised markets contribute to sales of counterfeits. Local unorganised shops are a source of counterfeits. Retailers estimate the penetration of counterfeit products at 5-15%.

Industry players – manufacturers/ industry experts Manufacturers estimate the penetration of counterfeit products for established brands at 5-10%. Local, smaller brands and local products with counterfeit parts contribute to another 5-10% of counterfeit products. Cheap copies of products are available in the unorganised market for price-sensitive customers. Such customers are not the target audience of the established consumer durable companies.

Consumer electronics contributed to 16% of Intellectual Property Rights seizures by the US Homeland Security between 2008 and 2017. In 2019 and 2020, consumer electronics contributed to 10-11% of total seizures.

Source: CRISIL MI&A

fake/spurious/duplicate products. Around 14.3% complaints of counterfeit goods were with reference to consumer durables and electronic products.

As per industry experts, counterfeiting in the consumer durables segment is less as compared with other segments, at 5-10%. However, as per a consumer survey, participants estimated counterfeiting in the market at ~25%. The counterfeiting of consumer durable products has increased with e-commerce becoming a common means of purchasing these goods.

Counterfeiting in this segment is not common since the cost of manufacturing a fake product is high. Moreover, most of the products are sold through organised retail. Within consumer durables, counterfeiting is prevalent on a higher scale on high-volume, low-ticket items such as earphones, USB and other connection cables, chargers, etc., as per the retailers.

White goods manufacturers are using different measures to keep a tight control on counterfeiting. However, counterfeiters are still able to get their way by importing cheap products and selling them using the original brand labels or by replacing the costly components with cheap quality components. FICCI cascade 2019 report estimates smuggling to the tune of Rs.90 billion in fiscal 2018, contributing to less than 5% of the industry size. This indicates that counterfeit products are largely domestically produced.

Extent of counterfeiting: City-wise consumers who have come across counterfeit products

As per the consumer survey, consumers Ahmedabad, Indore, Kolkata, and Chennai had witnessed higher counterfeiting cases as compared with other cities. 31% of the total consumer surveyed willingly purchased the counterfeit products, out of which 51% brought it due to lower cost, while 22% brought it due to the unavailability of original brands. Consumers perceive the counterfeit consumer durables products as moderately harmful.

Types of counterfeiting in the consumer durables industry

There are two types of counterfeit electronic products available in the Indian market.

The first type includes a completely fake product, i.e., it is not manufactured by the original component manufacturer but has laser markings. Counterfeiters either import the products or manufacture them locally and affix fake brand stickers to them. The counterfeiters dupe and mislead customers by selling fake consumer durables such as LED TVs and air coolers, by illegally using the branded company's trademark and affixing stickers on low-quality imported or locally manufactured cheap products.

The second type is known as a partial fake product (manufactured by the original component manufacturer but remarked to show different functions). In this type, the counterfeiters use fake packaging instead of remarking the product. Expensive parts are replaced with the local ones.

Methods adopted by the industry to check counterfeiting

Most companies have created a special task force for constantly monitoring the market and acting against unauthorised entities and counterfeiters. Some other methods are as follows:

- **Security label:** Security label comprises an optically variable effect, whereby the material – usually a thin film or ink – shifts from one colour to another or from one colour to clear when the viewing angle is altered.
- **Scratch label with UID:** Holographic scratch labels are a protective overlay that is used to hide pre-printed sensitive information.
- **Coding solutions:** Mobile product authentication service includes a scratch-off label affixed to product packaging or an alphanumeric code printed on product packaging. These codes can be checked with a simple SMS to a mobile number printed on the pack. In return, the consumer receives a message providing the authenticity of the product. These

DELHI NCR	AGRA	JALANDHAR	MUMBAI	AHMEDABAD	JAIPUR
15%	13%	17%	19%	35%	14%
INDORE	KOLKATA	PATNA	CHENNAI	BANGALORE	HYDERABAD
34%	40%	21%	42%	21%	29%

Figure 19: City wise extent of counterfeits-Consumer durables/electronics

Source: Consumer survey, CRISIL MI&A

codes can be printed using inkjet or laser printers or applied via labels that may include one or more physical security features.

Laws to protect against counterfeiting

To tackle the onslaught of counterfeit products in the electronics sector, the Ministry of Electronics and Information Technology had notified 'Electronics and IT Goods (Requirements for Compulsory Registration) order, 2012, under the compulsory registration scheme of the Bureau of Indian Standards (BIS). The BIS introduced the compulsory registration scheme (CRS) in 2012 as a certification scheme for domestically manufactured and imported products. Under the scheme, it is mandatory for manufacturers to get their products registered and tested to the relevant standards at BIS-accredited laboratories in India. Through the registration, they receive the right to use the Standard Mark for Registration.

- **Trademark Act, 1999:** It provides remedies for infringement and passing off in relation to both registered and unregistered rights.
- Widens the scope of infringement
- Makes counterfeiting and piracy cognisable offences
- **E-commerce policy, 2019:** Anti-counterfeiting measures have been prescribed under the policy. E-commerce entities are required to publicly share all relevant details of sellers who make their products on the websites/platforms of these entities. All the sellers/retailers are required to furnish an undertaking of genuineness of products to the platforms, and the same must be made accessible to consumers by the platforms. Mechanisms to enable trademark owners (and licensees) to be informed about any possible counterfeit product being sold on a platform have been included in the policy. The platforms are required to seek authorisation

from trademark owners before listing high-value goods, cosmetics or goods having impact on public health on their websites.

Key markets for counterfeit consumer durable products

In India, some of the most popular markets for counterfeit, smuggled and cheap-grade electronic products are Nehru Place and Ghaffar Market in New Delhi; Manish Market and Linking Road in Mumbai; Hong Kong Bazaar in Hyderabad; Kasimedu Street in Chennai; SadarPatrapa Road in Karnataka (speakers, bluetooth devices, TV remotes, computer cords, home appliances, bulbs, tube lights, and LEDs); and Anna Salai, Ritchie Street in Tamil Nadu (electronic products such as mobile phones, mobile phone accessories, computers, and computer accessories).

Tier 2 and 3 cities are flooded with fake and cheap-grade electronic products.

Table 18: Instances of counterfeit consumer durables seizures in India

Sr no.	DD/MM/YY	Location	Incident
1.	13-03-2022	Kanpur, Uttar Pradesh	Fake LED TVs were being sold, police caught the gang
2.	24-02-2022	Raipur, Chhattisgarh	Fake mobile accessories of Apple brand found
3.	02-01-2022	Nagaur, Rajasthan	Raid on seller warehouse with labels of reputed companies on counterfeit fans
4.	16-12-2021	Barmer, Rajasthan	Three arrested for selling a branded company's fans, geysers and mixer grinders with duplicate stickers, 10 lakh goods seized
5.	16-12-2021	Gwalior, Madhya Pradesh	Fake parts of KENT RO were being sold in Gwalior; police raided
6.	09-12-2021	New Delhi	Samsung busted a counterfeit TV racket. Counterfeit products estimated to be worth over Rs 1.5 crore, fraudulently sold under the trademark 'SAMSUNG' were recovered
7.	25-11-2021	Raipur, Chhattisgarh	Two shopkeepers arrested for selling fake mobile power banks
8.	27-09-2021	Jabalpur, Madhya Pradesh	Harman took police help to bust a fake JBL speaker racket
9.	18-01-2021	Ghaziabad, Uttar Pradesh	A seller selling fake room heaters of a well-known company arrested
10.	20-11-2020	Chennai, Tamil Nadu	Counterfeit Mi India mobile phones worth Rs 33.3 lakh seized

Source: ASPA

Conclusion

Counterfeiting pervades all sectors in India, from luxury items to daily use household items. Counterfeit impact almost all stakeholders in the value chain. Yet, as per the CRISIL survey, 15-20% of the market willingly purchased counterfeit products, attracted by the lower cost. On average, counterfeits are sold at a 5-20% discount to genuine products. Hence, counterfeits find penetration in segments where demand is high and supply is constrained

The apparel category has the highest share of consumers (40-45%), willingly purchasing counterfeits at least once. Counterfeiting is most prevalent in FMCG, apparels and agrochemical sectors (~30%); followed by the pharmaceutical, automotive and consumer durables sectors (20-25%).

Industry experts believe the volume of authentic products is unable to cater to the full demand. Also, due to an inefficient supply chain, products are not able to reach the remote corners of the country, creating a gap for the counterfeiters to plug.

Counterfeiting seems to have increased with the evolving digital marketplace and supply chain disruption caused by the pandemic.

Counterfeits adversely affect the health and safety of consumers as they are made of inferior material and fail to meet the designated safety standards. Manufacturers suffer sales erosion, while the government is impacted by loss of tax revenue. A collective effort from all stakeholders is required to combat counterfeiting.

Brands/ manufacturers are investing in protecting their brands but have so far failed to adequately communicate the same to the consumers. Consumers

follow regular visual checks but are not aware about technology-driven authenticity solution. They are also unaware about which products with high counterfeit probability to ensure that they take the necessary steps when purchasing such products. It becomes impractical for consumers to check all products while making a purchase. Brands need to invest (time and money) for increasing consumer awareness.

Government: The laws of India provide a wide range of regulations against counterfeiting, but there is no specific legislation to impose strict punishment and/or imprisonment for counterfeiting. Dedicated laws for counterfeiting for each sector and making counterfeiting as highly punishable offense will keep counterfeiters at bay.

Consumers do not perceive counterfeit products to be very harmful, expect for pharma and food items. Nearly 50% of the consumers rate counterfeits as moderately harmful. Hence, despite awareness of counterfeit products being high at 89%, consumers do not take the right steps, such as informing the regulatory authority or genuine manufacturers.

More awareness about using various authentication methods is need of the hour. Consumers should also know about how to report a counterfeit to the brand's consumer helpline number or consumer forum. They should be educated about the real impact of using counterfeits and be encouraged to refrain from purchasing fakes.

Distributors and retailers should be encouraged to participate in bringing down the counterfeiting by refraining from buying the products from unauthorised sources and should immediately report the case to the brand protection team.

Retailers and manufacturers generally deny the existence of a high level of counterfeiting even though companies have become more active than before in protecting their brands. Consumers are also becoming vocal about this issue on the internet.

Hence, more needs to be done to spread awareness about counterfeits and more regulatory checks are needed, especially in tier II and III markets as unorganised market contributes to faster penetration of counterfeiting.

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Glossary of terms

- Counterfeiting - A counterfeit is an item that uses someone else's trademark without their permission. Counterfeits are most commonly called 'fake goods' or 'knock-offs'. These products are unauthorized replicas of the real product.
- The International Anti-Counterfeiting Coalition has defined counterfeiting as a crime involving the theft of someone's trademark. Businesses, both small and large, use trademarks to help consumers identify their products. A trademark is most often a word, phrase or symbol that identifies the source or origin of particular goods or services sold in commerce.
- The Organisation for Economic Co-operation and Development (OECD) has defined counterfeiting as an unauthorised representation of a registered trademark carried on goods identical or similar to goods for which the trademark is registered, with a view to deceive the purchaser into believing that he/she is buying original goods.
- Authentication- the process or action of proving or showing something to be true, genuine, or valid
- Tampering - interfere with (something) in order to cause damage or make unauthorized alterations
- Substandard- below the usual or required standard
- API - Active Pharmaceutical Ingredient (API) is the biologically active component of a drug product (tablet, capsule, cream, injectable) that produces the intended effects
- Spurious- not being what it purports to be; false or fake
- Infringing goods- any counterfeit goods or any goods which infringe any third party's intellectual property rights
- Provenance economy- an economy where the production of infringing goods takes place as well as an economy that functions as the port of transit through which infringing goods pass prior to reaching the destination

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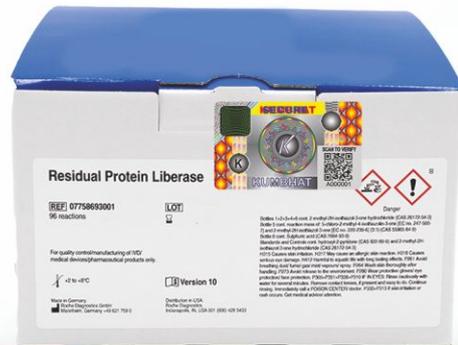
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