

# MAIL TODAY

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## SUNDAY

Delhi produces **75%** of counterfeit goods  
& caters to clients in markets across city

# BEWARE CAPITAL OF FAKES

A **THRIVING** organised market in counterfeit items, with Delhi assuming the central position, is driving an economy running into several thousand crores.

MAIL TODAY went to check the spread of the market and dis-

## INVESTIGATION

By Kumar Vikram in New Delhi

covered that skillfully-run establishments sell anything from cosmetic products, packaged items of common use, electronic appliances, computer accessories, auto parts mobile

phone accessories and more making the National Capital the hub of counterfeit goods. They flourish because of lower costs but the investigation revealed that these goods find their way into the market and are often sold as genuine products at the MRP of a regular item.

Some markets where these goods

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# Counterfeit Capital

PHOTOS: K. ASIF, PARVEEN NEGI &amp; QAMAR SIBTAIN



Delhi is the main transit point for the sale of counterfeit goods.  
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are easily available and sold openly like any legitimate business are Gaffar Market, Sadar Bazar, Khari Baoli, Bhagirath Place, Nehru Place and Kashmere Gate. Gaffar Market has come to be known for counterfeit and smuggled mobile phones and accessories, cosmetic items and commonly-used electronic appliances. Sadar Bazar is a wholesale market in Old Delhi where fake packaged FMCG goods and cosmetic items can be bought from select shops. All have a regular clientele.

Kashmere Gate is one of the largest auto parts markets in the country. Some shops sell fake branded auto spares at one fifth the original price or less. Nehru Place is big computer accessories markets and one can get pirated software and fake hardware from there.

## Market size

According to a report by industry body ASSOCHAM, the current market size of counterfeit products is ₹45,000 crore. Of this Delhi alone contributes nearly 75 per cent to the production of fake goods. The report indicates that besides being a big market for fake products, the Capital is the main transit point for the sale of such goods.

One dealer who admitted to selling fake cosmetic items said, "We don't sell these items to every trader. We have old and trusted traders from Delhi and outside."

On the price difference, he said, while a case of original talcum powder would ₹120, the fake one costs ₹50 or less. "We sell it to the retailers at ₹55-60. And, the retailer will sell it to the customers as a genuine product at the maximum price or a bit less," he added.

When asked about the packaging and appearance, he hesitatingly showed a bottle of a well-known brand. "Can you say that this is not an original bottle?" he asked.

**Big companies** such as Philips India, Hindustan Unilever Limited and Heinz India have raised an alarm

**Almost every packaged as well as non-packaged items are being faked and Delhi is the centre. In most of the cases, people are being cheated as they are not aware that the products they are buying are fake ones**

—Anil Rajput, chairman, Ficci-CASCADE

## MAIL TODAY INVESTIGATION

Sri Ram Khanna of Consumer Voice said counterfeiting is rampant. "There are two situations. In one case a consumer buys the fake item without being aware of it. In this situation he gets cheated as he is paying for the original. In the second case, there are counterfeit products which are available at lower prices. Suppose, a mechanic tells you about the low quality auto part before fitting it in your vehicle. Here, you are not cheated as you

## LOSSES TO GOVT & INDUSTRIES

■ A study by ASSOCHAM said the current market size of the counterfeit products is ₹45,000 crore. Of this, Delhi alone contributes nearly 75% to the production of counterfeit goods

■ According to a recent study by Ficci-CASCADE (Committee against Smuggling and Counterfeiting Activities Destroying the Economy), the estimated annual tax loss to the government in 2012 is estimated at ₹26,190 crore due to counterfeiting and smuggling

■ The study further estimates an annual sales loss to industry at a whopping ₹1,00,000 crore

■ The key sectors included in the study were auto components, alcohol, computer hardware, FMCG (personal goods), FMCG (packaged goods), mobile phones and tobacco

Loss from FMCG (packaged goods)

₹20,378cr  
(23.4%)

Loss from FMCG (personal goods)

₹15,035cr.  
(25.9%)

## MARKETS OF FAKE GOODS



**GAFFAR MARKET:** One of the largest markets in the country for counterfeit and smuggled products in the categories of mobile phones and accessories, cosmetic items and commonly used electronic appliances

are aware of this, but, the product is obviously of sub-standard quality."

Anil Rajput, chairman of Ficci-CASCADE, said that almost all packaged and non packaged items are being copied and Delhi is the centre of the illegal business.

"In most cases, people are being cheated as they are not aware that the products they are buying are fake ones. Once consumed, the result can be dangerous in case of fake products," he added.

## Alarming signs

Big companies like Philips India, Hindustan Unilever and Heinz India have raised an alarm on this front and their complaints saw separate cases being registered with the Economic Offences Wing (EOW) of Delhi

Police last month.

Last year Delhi Police raided a store in Central Delhi area, seizing a huge stock of counterfeit cosmetics, including those labelled as Revlon, Ponds and Dove. The police action unearthed a fake packaging factory, bringing the focus on the need for secure packaging and labelling for cosmetics and pharma items in India.

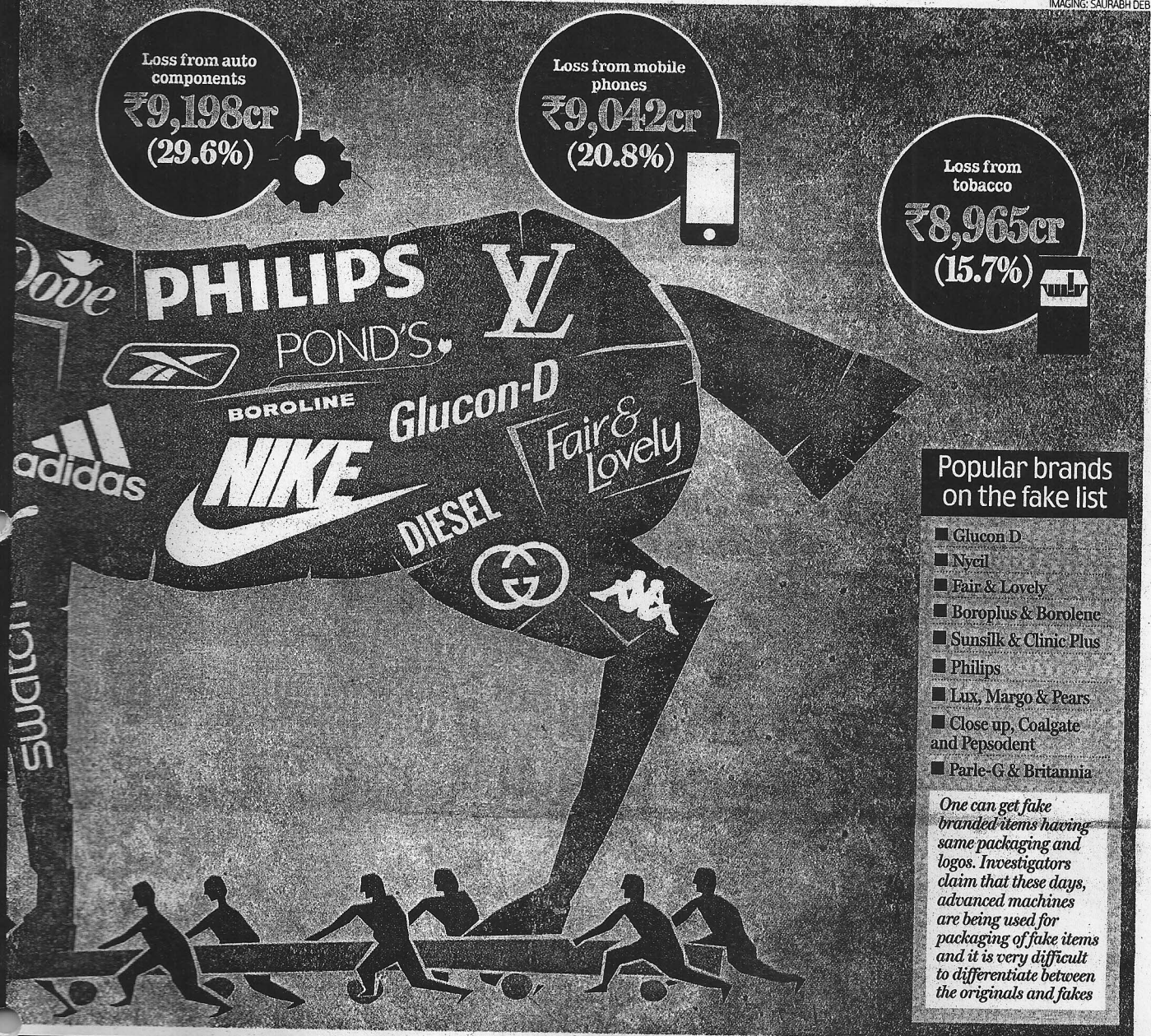
Explaining the techniques adopted by the manufacturers, a police officer said, "Nowadays, the manufacturers situated in Outer Delhi and northeast Delhi areas have started using advanced machines.

To make it appear original, they also use computerised and digital machines to write prices, manufacturing dates and batch numbers on the packets. You can't make out the differences.

**There are two situations. In one case, a consumer buys a fake item without being aware of it. In another case, there are counterfeit products that are available at lower prices. Here, you are not cheated but the product is of sub-standard quality**

—Sri Ram Khanna, Consumer Voice





**SADAR BAZAR:** Wholesale market in Old Delhi where one can get all sorts of fake items, including packaged FMCG and cosmetic items from selected shops



**BHAGIRATH PLACE:** Wholesale market at Chandni Chowk where one can get fake and smuggled electronic appliances



**KASHMERE GATE:** One of the largest auto parts markets in the country. Some shops sell fake branded auto spares at one fifth of the original price or even less



**NEHRU PLACE:** Asia's biggest computer accessories market. One can get all sorts of pirated softwares and fake hardware parts from this place

THE sale of counterfeit products is not only affecting consumers but it's also causing heavy losses to the government as well as the private sector.

Anil Rajput, chairman, Ficci-CASCADE (Committee Against Smuggling and Counterfeiting Activities Destroying the Economy) said the business of fake items is a cause of concern for everybody.

"This is causing losses to the government due to tax evasion. The sales of industries are badly affected. It is also causing losses to the consumers as they are being cheated into purchasing sub-standard items," he added.

The Ficci-CASCADE study on "Socio-economic Impact of Counterfeiting, Smuggling and Tax Evasion in Seven Key Industry Sectors" revealed that the estimated annual tax loss to the government in 2012 is estimated at ₹25,190 crore. The study further estimates an annual sales loss to industry of a whopping ₹1,00,000 crore. The key sectors which were included in

## Govt & industries reel under losses

By Kumar Vikram in New Delhi

the study were auto components, alcohol, computer hardware, FMCG (personal goods), FMCG (packaged goods), mobile phones and tobacco. The highest loss in terms of revenue is from FMCG (packaged goods) at ₹20,378 crore (23.4%), FMCG (personal goods) at ₹15,035 crore (25.9%), auto components at ₹9,198 crore (29.6%), mobile phones at ₹9,042 crore (20.8%) and tobacco at ₹8,965 crore (15.7%).

The maximum tax loss on account of smuggled and counterfeit products

to the government is from the tobacco sector at ₹6,240 crore followed by FMCG (packaged food) at ₹5,660 crore and FMCG (personal goods) at ₹4,646 crore.

Rajput said excessive taxation is one of the main reasons behind flourishing of the business of fake items. "Heavy taxes on products have led to flourishing of the fake goods markets. To avoid paying high taxes, people get trapped into buying cheaper products," he added.

Similarly, a study by ASSOCHAM said Delhi accounts for 75 per cent of the rapidly growing counterfeit industry

in the country and the current market size of the counterfeit products is ₹45,000 crore. It also said the maximum loss for FMCG companies works out to 45 per cent, though on an average, it is around 25 per cent of the market share of well-known products.

ASSOCHAM's study showed that other segments that were hit by fake goods sale are vegetable oils, spices, ghee and watch components. The sale of spurious products in these product categories has been estimated to be close to ₹15,000 crore by 2013. The industry body estimated that by the end of 2013, counterfeit goods market in India will be worth more than ₹55,000 crore.

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