Start a Cosmetics Contract Manufacturing Unit in India

A practical guide for beginners: how the business works, what licences you need, what it costs, and how to get your first clients.

Who is writing this: I am Ishika, co-founder of **Eleveon** and **BM Designink**. I started by selling my own products on Amazon, taught myself from YouTube, and over **6 years** have run Amazon advertising for **350+ brands** in India, the US, UK and Dubai. I am not a manufacturer. I see this business from the brand side, and I did the research for this guide the way I research for my clients.

Read this first: what the reel said, and what is verified

From the reel	The fuller picture
"Turnover of Rs 40 to 50 crore"	This is what one manufacturer told me about his own unit. It is a single data point, not an industry average. Most small units start far smaller.
"Start with Rs 15 to 20 lakh"	Also his estimate for a basic unit. A manufacturer's blog I read puts an in-house setup at Rs 50 lakh or more, and the government's PMEGP scheme allows manufacturing projects up to Rs 50 lakh. Your cost depends on products, scale and city. Page 5 gives a worksheet.
"Some big brands have no factory"	True in general. Brands can use a licensed factory through a manufacturing arrangement, and Indian rules allow this through a "loan licence" (page 2).

What you will know by the end

- How a contract manufacturer actually earns, and who pays you.
- Which licences are needed, the forms, the staff and the premises rules.
- A cost worksheet and a break-even example, with clearly labelled assumptions.
- Where first clients come from, and what to offer them.
- A 90-day plan, and the mistakes that sink new units.

This is general information, not legal or financial advice. Rules, fees and rates change, so confirm with your State Licensing Authority before you spend money.

1. How the business works

You make skincare and personal care products for other brands, under their name. They own the brand and the marketing. You own the factory and the know-how.

Role	What it means
Your factory (contract manufacturer)	Holds the manufacturing licence (Form COS-8). Makes products for several brands. Earns a margin on each batch.
The brand (your client)	Creates the brand, packaging design and sales. Pays you per batch. May hold a "loan licence" (Form COS-9) to make under your licensed premises.
Private label vs custom formula	Private label: you offer ready base formulas (face wash, serum, cream) that clients re-label. Custom: you develop a formula for one client. Start with private label, which is faster and cheaper.

The loan licence, in simple words

A person or firm with no factory of its own can apply for a licence (Form COS-6, granted as Form COS-9) to make cosmetics at another licensed factory. The factory must hold a valid manufacturing licence (Form COS-8) and the two sign an agreement. For you this means two things: clients can come to you without building a plant, and **you must hold your own COS-8 licence first**.

Why demand exists

- India's beauty and personal care market is estimated at about USD 28 to 31 billion in 2024-25, projected to reach about USD 48 to 49 billion by the mid-2030s, roughly 5 to 6 percent a year (Entrepreneur India, Dec 2025, citing industry estimates).
- Buyers now want products that work: actives such as niacinamide and peptides, sun care, scalp care. That favours manufacturers who can formulate, not just fill bottles.
- Online sales and quick commerce are growing faster than stores, which keeps new brands launching. At the same time, customer acquisition is getting costlier and funding tighter, so brands look for reliable, low-MOQ manufacturers they can trust.
- Claims are under watch: lab tests questioned some sunscreen claims in 2025. A manufacturer who can prove safety and test results is valuable.

The honest part: this is a trust and quality business, and brands do not move easily once a batch works. But your first clients are hard to win and payments can be slow (page 6).

2. The roadmap: ten steps from idea to first batch

Realistic timelines vary by state. Treat the months as planning guesses, not promises.

1. **Choose your products and scale.** Start with 3 to 5 products in one family, such as face wash, gel serum, moisturiser and shampoo. Avoid lipsticks, sunscreens and eye products at the start: they have stricter testing needs.

2. **Learn the product, not just the paperwork.** Spend time with working formulators. Visit units, take a short course in cosmetic formulation, or hire a formulator. The licence does not make you good at making products.

3. **Pick a legal structure and register.** Set up a company or LLP or proprietorship, then GST and Udyam (MSME) registration. Open a current account.

4. **Find the premises.** It must be sanitary, not connected to residential areas, and able to meet the licensing authority's layout and hygiene rules (Seventh Schedule). Ask your State Licensing Authority for its checklist before you sign a lease.

5. **Appoint the technical person.** At least one full-time, competent technical person is required. Accepted qualifications include a pharmacy diploma, an intermediate pass with Chemistry, or a degree in Cosmetic Technology.

6. **Apply for the manufacturing licence.** Apply on the SUGAM portal to the State Licensing Authority in Form COS-5 with a GMP self-declaration (Form COS-7). After inspection you receive a receipt (Form COS-10) and the licence in Form COS-8.

7. **Check pollution and other consents.** Some units are in categories exempt from pollution board clearance, others need consent. Confirm your category with the State Pollution Control Board, and check fire and local trade rules.

8. **Buy machines and set up the plant.** Order only what your first products need. Get at least three quotes. Install, calibrate and keep calibration records.

9. **Build samples and a price list.** Make small trial batches of each product, test them, and write a simple spec sheet and price per batch size.

10. **Win the first clients.** Offer free samples to a few serious brands or Amazon sellers, quote clearly, and agree payment terms in writing (page 6).

> **Order matters.** Do not buy machines before you have the licence path, and do not sign a long lease before you know the authority will accept the premises.

3. Licences and rules at a glance

Based on the Cosmetics Rules, 2020 as described by compliance guides. Confirm current forms, fees and timelines on the SUGAM portal.

Topic	What to know
Manufacturing licence	Apply: Form COS-5. Self-declaration of GMP: Form COS-7. Inspection receipt: COS-10. Licence: Form COS-8. Issued by the State Licensing Authority (Rules 23, 25, 26). One training deck mentioned an application fee of about Rs 10,000. Check the Third Schedule for the current fee.
Validity	Sources differ: some say the licence is perpetual with a retention fee every five years, others say renewal every five years. Confirm with your authority and diary the date.
Technical staff	At least one full-time competent person. Accepted: Diploma in Pharmacy (PCI approved) and registration under the Pharmacy Act 1948, or an Intermediate pass with Chemistry, or a degree in Cosmetic Technology.
Premises and GMP	Sanitary location, not connected to residential areas. GMP requirements sit in the Seventh Schedule. Documents include layout, machinery list, GMP self-certificate and the list of cosmetics with formulas and labels.
Testing	Raw materials and finished goods should be tested. You can run your own lab or use an approved, NABL accredited lab.
Records	Keep batch and raw material records (reported as three years after batch expiry). Inspectors can enter, take samples and read records.
Ingredients	Follow BIS standards, including IS 4707 Part I for preservatives and limits. Colours must come from the permitted list. Purified water only. Do not claim drug effects.
Claims	Compliance guides list claims such as antiseptic, fairness and anti-ageing as restricted. Check each claim before you print it. Animal testing is prohibited.
Labels	Include batch number, manufacturing licence number, expiry (month and year) and ingredients in descending order. Legal Metrology declarations apply to packaged goods.
Loan licence clients	A client without a factory applies in Form COS-6, supplies your COS-8 licence copy and an agreement, and gets Form COS-9.

A manufacturer who cuts corners on claims or testing puts both their licence and their clients at risk. Build these checks into your process from day one.

4. What it costs: a planning worksheet

These are my planning allowances, not quotes. Replace every line with real quotes from suppliers in your city.

Item	My planning allowance (assumed)
Premises: deposit, rent and fit-out (flooring, coving, drainage)	Rs 2.5 lakh
Mixing and homogenising vessel with stirrer (jacketed, about 100 L)	Rs 3.0 lakh
Semi-automatic filling and capping machines	Rs 2.5 lakh
Purified water system (RO / DI)	Rs 1.0 lakh
Basic lab: balance, pH meter, viscometer, sample storage	Rs 1.5 lakh
Packing and labelling tools, racks, hygiene gear	Rs 0.8 lakh
Licence fees, legal, trademark, consultant help	Rs 1.0 lakh
GMP documents, calibration, pest control, bio-waste agreement	Rs 0.7 lakh
Lab testing and stability checks for first formulations	Rs 1.0 lakh
Working capital: about 3 months of raw material and packaging	Rs 4.0 lakh
Total planning budget	**Rs 18.0 lakh**

- The total sits inside the Rs 15 to 20 lakh range the manufacturer mentioned, but it assumes rented premises, semi-automatic machines and a small product range. A bigger plant, better machines or owned premises will cost more.
- **Working capital is the most forgotten line.** Raw materials and packaging are paid for before the client pays you.
- Add a cushion for delays between applying and getting the licence. Rent keeps running while you wait.
- Core machines: a jacketed mixer/homogeniser, a semi-automatic filler and capper, a purified water system, and basic lab tools. Get three quotes for each.

Possible funding: PMEGP

The Prime Minister's Employment Generation Programme (run by KVIC under the MSME ministry) supports new manufacturing units with a project cost up to Rs 50 lakh. The subsidy is 15 percent (urban) or 25 percent (rural) for the general category, and 25 or 35 percent for special categories such as women, SC, ST, OBC and minorities. You put in 5 to 10 percent, the bank lends the rest. Only new units qualify, and you may have to complete a short training programme. Rules and limits change, so check the official PMEGP portal.

5. Will it make money? A break-even example

Everything below is assumed to show the method. Use your own quotes.

Per unit	Assumed
Face wash, 100 ml: price to the brand (ex-GST)	Rs 70
Raw material	Rs 22
Packaging (bottle, cap, label)	Rs 14
Labour and energy	Rs 8
Testing and quality share	Rs 2
Variable cost per unit	**Rs 46**
Contribution per unit	**Rs 24**

Monthly fixed costs	Assumed
Rent	Rs 40,000
Technical person	Rs 40,000
Two operators	Rs 50,000
Power and utilities	Rs 20,000
Loan repayment (assumed)	Rs 45,000
Compliance and misc	Rs 25,000
Fixed cost per month	**Rs 220,000**

Break-even: Rs 220,000 divided by Rs 24 = about 9,167 units a month, or roughly 4 to 5 orders of 2,000 units. Small units usually take months to reach this, so plan for it.

Where clients come from

- **Amazon and D2C sellers** who want their own brand. This is the group I work with every day, and many of them need a reliable manufacturer for a first batch.
- **Small D2C and salon brands** found through LinkedIn and Instagram. Send a short message and offer samples, not a brochure.
- **B2B marketplaces and trade events**, which bring buyers but also price comparison.
- **Referrals** from one happy client are the strongest source. Deliver the first batch on time.

Getting paid

Agree terms in writing: an advance on order (many small units ask for a large part up front), balance before dispatch, and clear rules for rejected batches. Udyam-registered micro and small suppliers have legal protection on payment delays, so register and keep clean invoices.

6. Mistakes, and your first 90 days

- **Buying machines before the licence path is clear.**
- **Starting with risky products** such as sunscreens, eye makeup or lip products.
- **Underpricing to win clients.** A client who pays too little also expects too much.
- **Making claims you cannot prove.** It endangers your licence and your client.
- **Taking big orders on credit** from one client. Spread your risk.
- **Ignoring testing and records.** Inspectors and serious brands both ask for them.
- **Forgetting working capital.**

When	What to do
Days 1 to 15	Pick 3 to 5 products. Talk to 3 working manufacturers. Visit your State Licensing Authority or portal and get its checklist.
Days 16 to 40	Register the entity, GST and Udyam. Shortlist premises and the technical person. Get quotes for machines.
Days 41 to 70	File the licence application, finish the premises, and start trial batches. Prepare samples and a price list.
Days 71 to 90	Approach 10 to 20 potential clients (Amazon sellers, D2C brands). Quote, sign terms, and plan the first batch.

A note from me

A factory makes the product, but brands still need customers, and most new brands fail on marketing, not on manufacturing. That is the part I know best. **Eleveon** teaches Amazon Ads and Meta Ads, and how to find clients, so you can sell what you make or help brands sell what you make for them. I also run free live classes and a community, so you can see how we teach first. Comment **ELEVEON** on my reel and my team will share the details.

Ishika Mittal | Instagram: @ishikaabuilds

Sources (checked 19 November 2026)

- Cosmetics Rules, 2020: licence forms COS-5 to COS-10, loan licence and staff rules, via Lawrbit (cosmetic manufacturing and loan licence guides) and Compliance Calendar (CDSCO cosmetic manufacturing licence).
- Cosmetics Rules 2020 overview deck (The Health Master): GMP in the Seventh Schedule, records, labelling, BIS IS 4707, claims, fee mention.
- Market size and trends: Entrepreneur India, Performance-First Beauty, 8 Dec 2025.
- Setup cost context: Khadi Natural, cost of starting a cosmetic brand in India (a manufacturer's blog, not independent).
- PMEGP limits and subsidy: HeroFinCorp PMEGP guide; confirm on the official PMEGP portal.

For information only. Not legal, financial or regulatory advice. Check every rule with the licensing authority. No guarantee of sales or profit.