

## Paper Industry Overview- 206-17

### Industrial Growth Driver

- Indian paper industry plays a vital role in the overall industrial growth and also provides a necessary medium to propel our knowledge based economy forward in the new millennium.

### Favorable long term growth prospects

- While India accounts for nearly 15 per cent of the world's population, it consumes less than 3 per cent of the global paper production.
- The long-term demand outlook for the paper industry is favourably driven by increasing literacy, industrial growth, developments in print media (particularly in the vernacular languages), higher government spending on education, changing urban lifestyles and economic growth.

### Indian economy registering a CAGR of 5.5% for the paper sector, more than double the global growth rate.

- Assuming that all growth factors of the industry are likely to be sustained, the industry would continue to grow at CAGR 6-8 per cent, regardless of the aberrant years given the cyclical nature of the industry.

### Encouraging Growth Demand Projections

- Projections indicate that the demand for paper & paper board would increase from an estimated 17 million tons in 2016-17 to 24 million tons in 2025-26.
- To meet this target, industry needs raw material resources, infrastructure & capital and favourable policy framework. The major requirements to be addressed by the industry are raw material availability, technological upgradation, capacity addition, energy efficiency



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## CPPRI- Paper Industry Survey

2016-17

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### Sustainability Perspectives

Traditionally, the Indian paper manufacturing sector has registered a CAGR of 6-7% growth in the past. However, this figure seems to be moving towards the lower side of around 5.5 for the last six years. The data indicates following factors.

- Up till 2013-14 the capacity and production were almost of the same order, however, production started to flatten out beyond 2013-14 followed immediately by capacity in the next year. This could be correlated to the increase in imports of paper under the various FTAs, particularly ASEAN.
- Even though there is capacity, and an increasing demand gap, the industry is having problems in increasing production. This can only be corrected by increased pulpwood plantations to ensure a sustained quality fiber resource on a long term basis, which in turn can help the industry plan green/brown field expansion over a dedicated time scale.

## STATUS OF THE INDIAN PAPER SECTOR 2016-17 –AT A GLANCE

Number of Mills	863
Total Installed capacity	25.17 million tons
Operating mills	503
Operating installed capacity	20.5 million tons
Total Production	17.37 million tons
Production from Wood based mills (20% of total)	4.00 million tons
Production from Agricultural Residue based mills (10% of total)	1.56 million tons
Production from Recycled paper based mills(70% of total)	11.81 million tons
Indian Share in World's Production %	4.25 %

Data shows that out of the 863 mills on the map of India, only 502 are currently in operation. Thus, about 83% of the total installed capacity is operational and only about 17% of the same lies closed.

At a total production of 17.37 million tons (2106-17) nearly 83% of the operating capacity is being utilized by the Industry.

Total turnover of the sector	56000 crore
Contribution to the exchequer	5500 Crore



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# DIVERSITY OF THE INDIAN PAPER INDUSTRY

## Diverse Raw materials

- 15+ species of Wood
- Non-Woods:
  - Bagasse, Rice Straw, Wheat Straw, Grasses/Reeds
- Waste Papers: White, Brown and Mixed
- Market Pulps

## Diverse Processes

- Mechanical Pulping
- Chemical Pulping – Kraft Process generally for wood pulping
- Chemical Pulping – Soda Process generally for Agro pulping
- Recycled Fibre (RCF) Process – with or without De-Inking

## Diverse Products

- Packaging Papers & Coated/Uncoated Paperboards
- Coated/Uncoated Printing & Writing Papers
- Newsprint & Magazine Papers
- Tissues & Hygiene Papers
- Specialty Papers

# Facts we need to know about the Indian Paper Industry



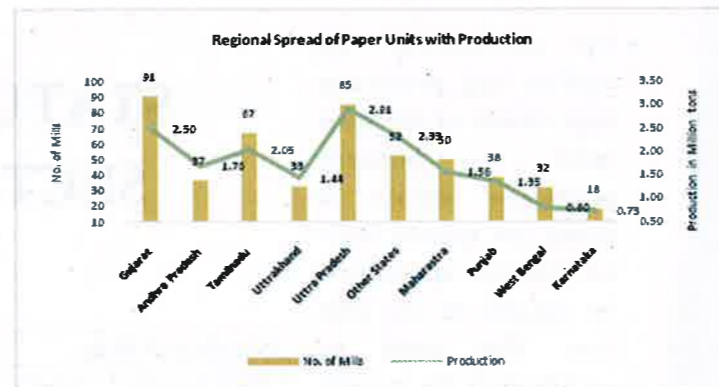
CPPRI carried out the task of collection of Indian Paper Sector data as a Cess funded project. This was received very well by the interest groups, as it gave a primary data based analysis of the Indian Pulp and Paper Sector. The aim of the project, inter alia was to enumerate each and every mill producing paper in India, and come up with a seed data base, of a kind which could then be updated/amended on a regular basis.

The industry has witnessed significant growth in production and consumption over the years.

However with increase in the production industry needs to rely on sustained raw material and energy resources.

The non-availability of sustained fibre source for the sector, has resulted in setting-up of any sizeable green field mill in the last many years. Technology upgradation and capacity enhancement will serve to address the energy requirements of the industry.

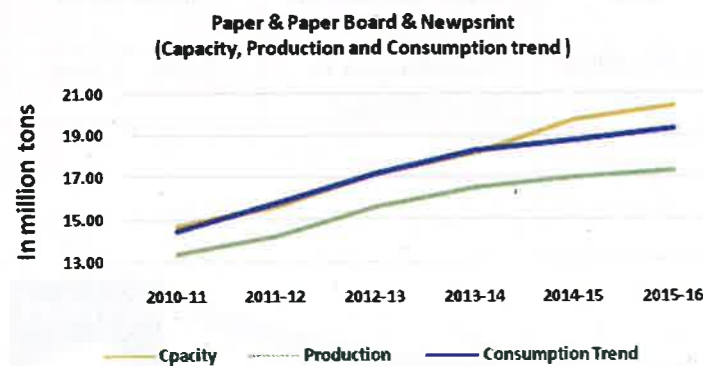
## Regional spread of Operating Paper Units



Traditionally, location of mills are governed by multitude of factors. Most of the mills are located in the hinterland and close to the raw material and coal availability.

In last two decades, small mills also came up all over the country using diverse raw materials such as straws and bagasse. As stringent norms came in to force, many of these mills shifted to use of waste paper as a substrate.

As of date, majority of the operating mills are spread more or less heterogeneously over states like Gujarat (91), Uttar Pradesh (85), Tamilnadu (67), Maharashtra (50), Andhra Pradesh (37) Punjab (38) & Uttarakhand (33). having wide spread of operating paper industry. Gujarat & Tamilnadu paper mills are producing different variety of kraft paper. Whereas, Units from U P & Utrkhand are dominantly producing Writing & Printing paper.



## Product mix and Raw Material Share

Out of the total production of 17.37 million tons, 35% production can be attributed to WPP. As of now, larger contribution to this segment comes from wood based sector.

The production of packaging grade gained the expected momentum, with as much as 55% of production from this segment. Major production was from the RCF based mills.

As regards, newsprint also, major contribution comes from mills using waste paper. This segment accounts for about 10% of the total production.

Grades	Industry segment	Production Share%	Percentage (%)	Production, million tons	Share %
Writing Printing Grade	Wood Based	3.12	51.25	6.08	35%
	Agro Based	0.63	10.31		
	RCF Based	2.32	38.17		
Packaging Grade	Wood Based	0.98	10.25	9.55	55%
	Agro Based	1.23	12.91		
	RCF Based	7.34	76.84		
Newsprint Grade	Wood Based	0.02	1.34	1.74*	10%
	Agro Based	Nil	Nil		
	RCF Based	1.72	98.66		

## The IMPEX Scenario

Import (MMT)			Export (MMT)	
Newsprint	Paper, Paper Board	Total	Newsprint	Paper, Paper Board
1.250	0.760	2.010	0.0110	0.91
1.432	0.960	2.392	0.0099	0.76
1.241	1.150	2.391	0.0086	0.79
1.379	1.191	2.571	0.0038	0.83
1.336	1.358	2.694	0.0096	0.95
1.497	1.486	2.983	0.0051	0.97

Our previous works on such analysis has reported that asides newsprint, which we have to import to the tune of 50% of our consumption, our IMPEX balance was comparable regarding paper

Over the last few years, all this has undergone drastic change. Starting 2012-13, the imports of the paper and paper board segment started to increase in volume much faster than the exports.

## STATUS OF THE OPERATING ENVIRONMENT

### Goods and Service Tax

Like all the other sectors, the introduction of GST is having its effect on the paper sector.

### Environment and Ecology

Through process upgradation, ETP upgradation, use of energy and water efficient technologies and equipment, recycling of back water/treated water the mills have reduced fresh water consumption, waste water discharge as well as over all pollution load.

### Energy

The pulp and paper sector has been identified as one of the energy intensive sectors which has been notified along with other energy intensive sectors under the Perform Achieve & Trade (PAT) scheme by Ministry of Power specifying energy saving targets to be achieved during specific period.

The Pulp & Paper sector achieved around 140% more than the assigned targets. Overall around 34 lakhs ESCerts have been issued and around 14 lakhs are to be purchased for compliance. In P&P sector, around 2 lakhs ESCerts to be issued and around 50000 to be purchased for

At present rates, the imports will increase by about 0.5 million tons in the next three years.

By 2022-23, we expect another 0.5 million tons to be added.

This is the clear challenge window for the Indian Paper Sector. It will be of prime importance that a matching capacity addition takes place in the sector to meet the challenges of rising imports.

Further, imports may go upto 9 million tons in 2029-30.