

Development and Challenges of paper Industries in India

¹Payal Sharma, ²Dr. Vijay Agrawal

¹Research Scholar, ²H.O.D. of Commerce department
Government J.Y. Chhattisgarh College, Raipur

Abstract: Indian paper industry has created sustainable livelihood in rural areas and has helped generating employment for the local population especially for women to earn their livelihood. The Indian paper Industry has emerged as a diversified and specialized industry that produces numerous types of papers that comes in various use such as watermark, filter paper, drawing sheets etc. other products including paper bags, paper diaries, paper boxes, paper Albums etc. are manufactured as exported across the world. Today the Indian exporters export nearly 400 crores worth of paper products per annum to the developed nations. Through digitation has taken the Indian paper industry for a ride, India's demand for paper is expected to rise 53% in the next six years as the educational demand for paper is constantly on the rise. Although India's per capital consumption of paper is quite low compared to global countries, the demand is set to rise from the current 13 million tonnes(m.t.) to an estimated 20 m.t. by 2020. An India rating report estimates India's per capital per consumption at 9 kg., against 22 kg. in Indonesia, 25 kg. in Malaysia and 42 kg. in China. The global average stand at 58 Kg. India's paper demand is set to rise 53% by 2020.

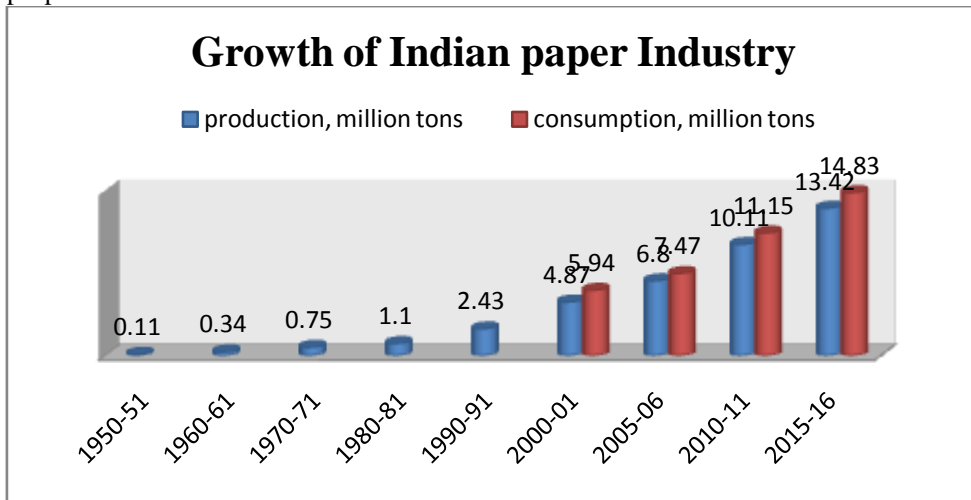
Keywords: - Wood based, Agro based, recycled based paper.

Introduction:- India's first machine made paper was manufactured in 1812. During this time there were 15 mills with a total production of lakh tonnes. In India the soft wood is the principal raw material used for making paper especially newsprint and high class printing papers with rise in population and broadening of education the demand for paper has been constantly escalated. Owing to very narrow forest resources wood pulp is in a shortage. As soft woods grow in temperate climate Indian is in short supply of such woods. Thus, in such circumstances the bamboo became the major raw materials for the manufacture of paper in the country as it grows very quickly even after cutting. Paper Industry in India is mainly plantation based and is essential that more land must be bought under plantation, eucalyptus and other trees opposite for the making papers. The paper- Industry also requires the huge amount of soft water and paper utilizes for newspaper is called 'newsprint'. Its requirement is bond to grow noticeably. The Neapanagar newsprint plant in Madhya Pradesh was set up to meet the aforementioned demands. The capacity of Indian paper Industry has been raised to 75000 tonnes a year. West Bengal and Maharashtra are the leading states for the Industry. The total newsprint production has now reached well over 400000 tonnes. A large number of expansion programmes and expansion of capacities with an outlay of RS.10000 crores have been announced covering the various sectors like paper, paperboard, newsprint etc. Indian paper industry is a vast industry comprising more than 157 paper producing divisions all over India. These 157 functions units manufacture hand- made paper worth around 21 crores and provide employment to approximately 10000 people.

Latest Developments:-

- ❖ The US government's recent move to clamp anti-dumping duty against the paper imports from china and Indonesia has affected the Indian paper manufacturers. The Indian paper manufacturer Association (IPMA) has urged the centre to raise tariff walls or at least retain the 10% current level of import duties.
- ❖ Indian paper and newsprint industry has a huge potentials and prospects in coming future. In our, country, demand for paper and newspapers is rapidly increasing. There are vast demands in the area of tea bags, filter paper, tissue paper, medical-grade coated paper, lightweight online coated paper, etc.
- ❖ Indian paper industry is one of the underestimated industries for quite some time because India's per capital consumption of paper is just about 5 kg. Whereas it is 337 kg. in North- America, 110 kg. In Europe and 30 kg.in china. Compared to this scenario, India's per capital consumption is one of the lowest in the world.
- ❖ The Rs. 22000-crore paper industry in India, rated 15th largest in the world engages about 1.5 million people with the help of Rs. 2500 crore Government subsidy. Government has given paper industry as one of the 35 high-priority lists.
- ❖ There are about 515 manufacturing units of processing and production of paper. Newsprint and paperboards in India which have the annual capacity of 8.3 million tonnes, is likely to be 16 million tonnes by 2014. There are few state owned and private players in the emerging paper industry like Hindustan Newsprint Ltd. (HNL), Tamil Nadu Newsprint and papers Ltd. (TNPL), Ballarpur industries Ltd. (BUILT), Seshasayee paper& Board Ltd. (SPBL), ITC paper.
- ❖ Virtually paper Industry is decontrolled and there is no price control on finished product. As a result entire cost has shifted upon the end-users. Newsprint prices increase sharply by 24% in a short span of three months to touch a high of \$760 per ton, an increase of \$145 since December 2007. India also, import bulk of Newsprint from foreign countries. From North America we have imported 18.9 lakh tonnes in 2004 to 26.45 lakh tonnes in 2007, a CAGR of 11.9%.
- ❖ Domestic consumption move up by 6.40 lakh tonnes to 9.70 lakh tonnes, a CAGR 14.9%, while Import went up by 12.50 lakh tonnes to 16.75lakh tonnes, a CAGR of 10.3%.

❖ Indian handmade paper industry is a vast industry comprising more than 157 handmade paper-producing divisions all over India. These 157 functional units together manufacture paper worth around Rs. 21crores and provide employment to 10000 people.



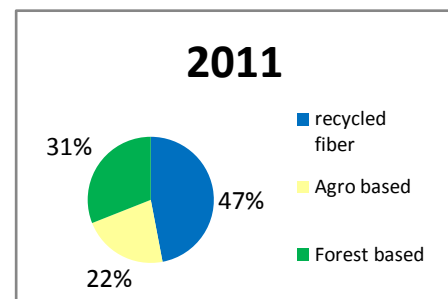
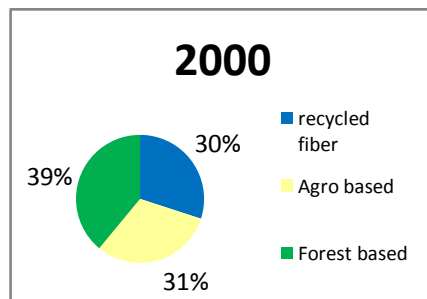
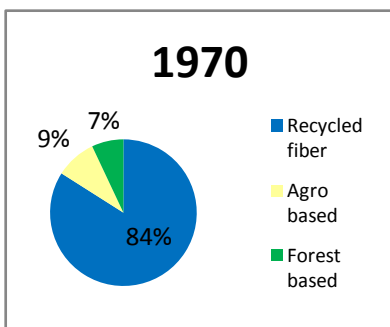
Source: CMIE/industry/CPPRI

Market capitalization:- The Indian paper industry has the top 15 global players with an output of more than 6 million annually with an estimated turnover of Rs. 150000 millions. Indian paper industry is riding on a strong demand and on an expanding mood to meet the projected demand of 8 million tonnes by 2010 & 13 million tonnes by 2020.

Indian paper industry accounts for about 1.6% of the world’s production of paper and paperboard. The estimated turnover of the industry is Rs. 25000 crore (USD 5.95 billion) and its contribution to the exchequer is around Rs. 2918 crore. The Industry was delicensed effective from July 1997 by the government of India& foreign participation is permissible. Most of the paper mills are in existence for a long time and hence present technologies falls in a wide spectrum ranging from oldest to the most modern. Paper in India is made from 40% of hardwood and bamboo fibre, 30% from agro waste and 30% from recycled fibre. Newsprint and publication paper consumption account for 2 million tonnes, of which 1.2 million tonnes of newsprint paper is manufactured in India and the remaining 0.8 million tonnes is imported.

According to the type of raw materials used for production purposes, the paper industry in India is classified into three categories which include the wood based, waste paper based and agro based industries. Most of the mills in India are based on raw materials which are non-conventional such as waste paper. Today the paper industry in India is in search of technologically advanced methods to reduce the cost of production and augment the existing technologies to meet the international standard levels. The government of India has introduced various rules and regulations to encourage joint ventures and investments in this field. The raw material consumption pattern has changed over the last few decades. In early seventies the share of wood based raw material was 84% whereas the agro based and waste paper based contributed only 7% & 9% respectively. Subsequently, due to scarce availability of wood based raw materials, the share of recycled waste paper and agro based raw material has increased remarkably. Presently the share in production of paper from wood based raw materials, agro residues and recycled/ waste paper is 31%, 22% and 47% respectively.

Structure of Indian Paper Industry



Source: Industry/CPPRI

MODERNIZATION & EXPANSION OF EXISTING MILLS**1. wood based mills:**

Financial resources for the capacity expansion projects of wood based mills are estimated below:

Target of additional production over next 15 years	3.0 million tons
Target for the 12 th Five year plan (2012-2017) <ul style="list-style-type: none"> Funds requirement for 1.2 million tons @ Rs. 100000 per annual ton. Funds requirement for up gradation of the existing capacity of 30 million tons @ Rs. 60000 per annual ton resulting in production gain of 20% (0.6 million tons) 	1.2 million tons Rs. 12000 crore Rs. 18000 crore
Target for the 13 th five year plane (2017-22) <ul style="list-style-type: none"> Requirement of funds for capacity additions of 0.6 million tons through greenfield projects @ Rs.100000 per annual tons. 	Rs. 6000 crore
Target for the 14 th five year plane (2022-27) <ul style="list-style-type: none"> Requirement for the third period of 5 year @ 100000 per annual ton for the balance 0.6 million tons per year will be 	Rs. 6000 crore
Total Investment	Rs. 42000 Crore

2. Agro based mills

Modernization of the existing agro based mills will result in Increasing in production from 2.23 million tons to 2.7 million tons within the next 5 years An increase of 0.47 million tons in capacity during the period 2012-17 would require an investment of 10700 crore in next five years for modernization and capacity expansion.

3. Recycled/ waste paper based mills

Modernization & expansion of existing RCF/WP based industry would require the following financial resources in Newsprint, duplex and Kraft mills.

(Source: INMA)

a) Newsprint

Existing demand	-	2.2 million ton
Growth in demand	-	6%
Demand by 2025	-	5 million tons
Present domestic production	-	1 million tons
Present import	-	1.2 million tons

(Cost Rs.3800 crore)

- Manufacture of quality Newsprint requires technologically advanced manufacturing facilities which are capital intensive; ass plant & machinery is not manufactured in India and it will have to be imported.
- Currently the newsprint industry is not able to compete with international manufacturers due to various reasons and no addition in the newsprint capacities are forth coming or planned in the near future.
- This will increase Newsprint import from 1.2 million tons to around 4 million tons which will cost around Rs. 12600 crore per annum.
- If an addition 3 million ton capacity is set up in India to meet the demand of Newsprint the total investment(@ Rs.75000 per ton of annual capacity) Will be Rs. 22500 crore.

b) Duplex Board

- Present demand of 1.5 million ton will increase to 5 million ton by 2025 with a growth of 9% per annum.
- Investment required for 3.5 million ton capacity (@ Rs. 40000 per ton of annual capacity) will be Rs.14000 crore.

c) Kraft paper

- Present demand of 3.5 million ton will increase to 6 million ton by 2025 with a growth of 8% per annum.
- Investment required for setting up of additional 2.5 million ton capacity (@ Rs. 25000 per ton of annual capacity) would be Rs. 6300 crore.

Thus an investment of Rs. 42800 crore is required for setting up facilities for the manufacture of Newsprint, duplex Board and Kraft paper in India to meet the projected demand over the next 15 years-

Newsprint - Rs.22500 crore

Duplex paper - Rs.14000 crore

Kraft paper - Rs.6300 crore
Rs. 42800 crore

Such a large investment for the paper industry would need long term funding (10 years) at a low rate of interest and also support of equity from venture capital funds.

Challenges Faced by the Industry:-

Challenges faced by this industry are the location of paper units. Most of the paper units in the country are located in remote areas. The industry is quite unattractive to the young generation as it is located away from the city and modern facilities. Lack of health facilities and educational institutes near these units are also considered to be one of the greatest drawbacks of this industry. The revenue procured from the paper industry is considerably less in comparison to the other industries in India. Today the country uses alternative raw materials to produce high quality paper. Most of the industries have become environmentally responsible by adopting eco-friendly manufacturing processes.

However, the paper industry is facing many challenges due to the shortage of raw materials and the rise in population. The demand for industrial wood, fire wood and timber is continuing to grow due to the ever increasing population. The future of the Indian economy is indirectly linked to the future of paper industry in India. The industry is expected to witness a better future in the coming years

Major leading players of paper industry in India are:-

- **Tamil Nadu Newsprint and Paper Limited.**
- **West Coast Paper Limited.**
- **Ballarpur Industries Limited.**
- **Andhra Pradesh Paper Mills Ltd.**
- **ITC Bhadrachalam paper Board Ltd.**

Conclusion:

The Indian paper industry has been in existence for more than a decade. Today there are more than 850 paper mills functioning all over the country. These industries manufacture various types of paper materials required for different purposes. This industry is known to be one of the leading industries in India as it provides employment to more than 1.5 million people. The widespread demand for different types of paper products such as book, magazines, newspapers, bags, plates, cups, envelopes and so forth has further escalated the growth of industry. The major challenge is access to raw materials including wood, agro residue and reused paper at economical prices. The strong demand of paper products has pushed the Indian paper industry to a new level. It is expanding to meet the growing demands of the people.

References:-

- [1] Bora, Khagen (2008), "*Energy Management in Pulp and Paper industry: A Case Study of Cachar Paper Mills*" M.B.A Thesis, Faculty of Economics
- [2] Kulshrestha N.K. (1988), "*Analysis of Financial Statements of Indian Paper Industry*" NavmanPrakashan, Aligarh. pp. 1-2
- [3] Reddy, G. Sudarsana; Reddy, P.Mohan; et.al. (2003), "*Paper Industry in India- Problem and Prospects*" The Management Accountant, Vol.38, No.12, pp. 904-905, 910-911
- [4] Sivayya, K. V.; Das, V. B. M. (1985), "*Indian Industrial Economy*" S.Chand & Company Ltd., New Delhi. pp. 423-424

Websites:

- [1] "Indian Paper Industry" January 2008, Retrieved from <http://www.scribd.com/doc/53624816/indian-paper-industry-1223576792555903-8>

- [2] “Indian Paper Industry” Retrieved From <http://reviewessays.com/print/India-Paper-Industry/52085.html>.
- [3] “Indian Paper Industry” Retrieved From <http://www.scribd.com/doc/43946384/Indian-Paper-Industry>.
- [4] “Overview of Paper Industry” Retrieved from <http://www.docstoc.com/docs/12163796/PAPER-INDUSTRY>.
- [5] Indian Paper Manufacturers Association “Indian Paper industry” Retrieved from http://www.ipma.co.in/news_events.asp
- [6] Chapter 11 “Pulp & Paper” Retrieved from <http://www.pera.org/english/latest/book/11-chapter-11.pdf>
- [7] Countdown to Budget 2005-2006 “Role of the Paper Industry in India’s
- [8] Research and Markets “Indian Paper Industry” Retrieved From http://www.researchandmarkets.com/reports/2392/indian_paper_industry_January_2001
- [9] www.99business.com
- [10] www.mynewsdesk.com
- [11] www.indianmirror.com

