



Paper Sector grows in India but Faces Challenges



At 7 per cent, paper consumption in India is growing at a swift pace. At the same time, cheap imports are increasingly meeting the novel demand for paper and paperboard in the nation, thus discouraging novel investments from domestic manufacturers.

Harsh Pati Singhanian, vice-chairman and managing director (MD), [JK Paper](#), at the 17th AGM of Indian Paper Manufacturers Association (IPMA) stated that the kind of growth that paper consumption is witnessing in the country isn't visible in any other huge country. At 7 per cent, he continued, India would easily be the fastest growing paper market across the globe. But, Make in India in paper is seriously threatened in view of comparatively higher cost of raw material and soaring cheaper imports, which have been increasing at a pace faster than the growth in domestic production.

IPMA Environment Award 2015-16 was conferred upon [Seshasayee Paper](#) and Boards as well as The [West Coast Paper](#) Mills. Currently, paper consumption in the nation is approximately 15 million tons per annum or TPA. By the year 2024-25, under the baseline scenario, domestic consumption is projected to surge to 23.5 million TPA and production to 22 million TPA. About 1 million TPA of integrated pulp, paper and paperboard capacity is required to get created in the country on an annual basis over the present capacity to meet the growing demand.

Imports of paper and paperboard, excluding newsprint, into India have been steadily enhancing. In the last 5 years, imports have surged at a CAGR of 15.5 per cent in value terms (from Rs 3,411 cr in 2010-11 to Rs 7,014 cr in 2015-16), and 15.8 per cent in volume terms (from 0.54 million ton in 2010-11 to 1.11 million ton in 2015-16). Imports are growing at an extremely high rate as compared to the rise in domestic production rate.

Under the India-ASEAN FTA, import duties on almost all tariff lines under paper and paperboard have been progressively minimized, and from a base MFN rate of



10 per cent, the basic customs duty has come down to '0'. Imports of paper and paperboard, excluding newsprint, into India from ASEAN in the last 5 years have grown at a CAGR – Compound Annual Growth Rate of 37.5 per cent in value terms and 38.5 per cent in volume terms. Imports are surging since cost of production is much higher in the nation. India is a wood fibre deficient country. Availability of wood domestically at 9 million TPA is inadequate as compared to demand, which is presently about 11 million TPA and is projected to surge to 15 million TPA by 2024-25.

As a result, the cost of wood has gone up exponentially over the past few years. Increasing cost of raw material coupled with significant cost rise of fuels has resulted in a substantial rise in the cost of domestic manufacture of paper and paperboard, affecting competitiveness of the domestic paper industry.

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