



Achintya Securities Private Limited

Indian Paper Industry

Navigating Through the
Past, Present, and Future



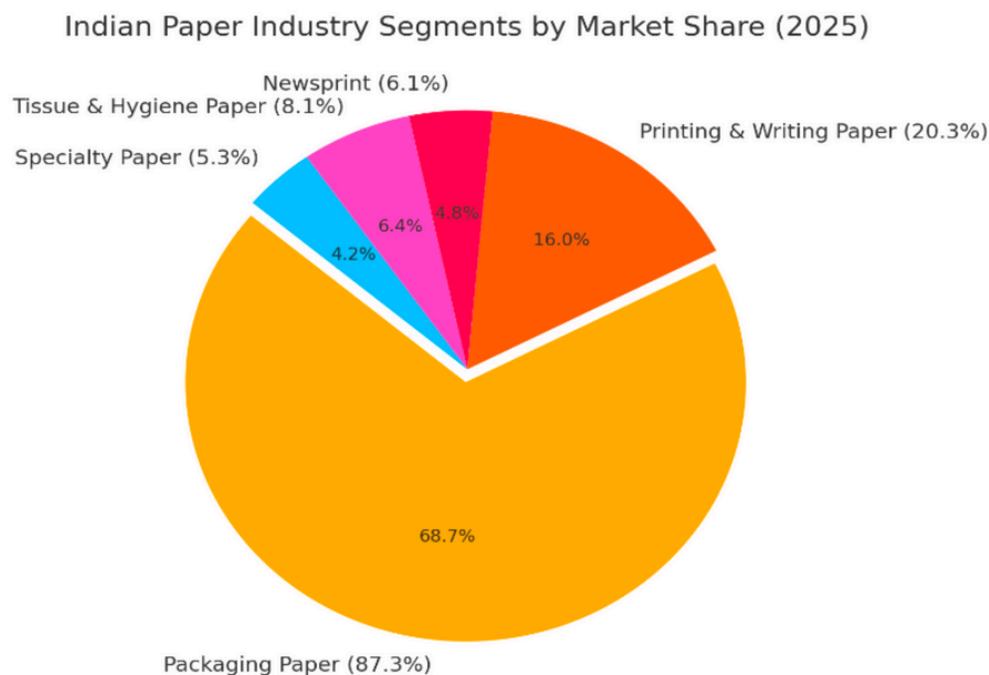
May 6, 2025

Introduction

India's paper industry, a vital component of the nation's manufacturing sector, has shown resilient growth over the past decade despite facing environmental, regulatory, and global trade challenges. As of 2024, India produces approximately 16.7 million metric tons of paper annually, ranking it as the fifth-largest paper producer globally and contributing about 4% to global output. Per capita paper consumption in India stands at around 16 kg, significantly below the global average of 57 kg, indicating vast untapped potential. With rising investments and a shift toward recycled and agro-based raw materials, the Indian paper industry is poised for a robust and greener future.



Current Trends and Global Comparisons



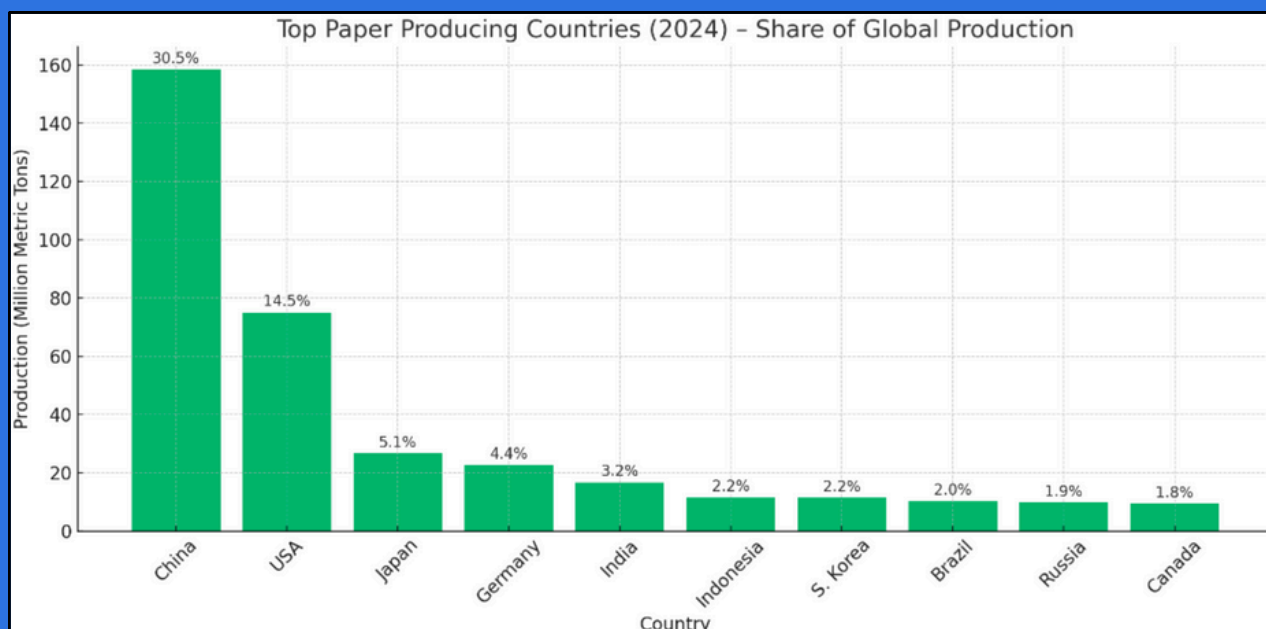
The Indian paper industry is undergoing a dynamic phase of growth, innovation, and restructuring, closely aligned with global sustainability goals and domestic policy shifts.

One of the most transformative trends is the explosive demand for paper-based packaging, primarily driven by the e-commerce sector, which has grown by over 27% annually in recent years.

As consumers and regulators move away from plastic, the demand for kraft paper, corrugated boxes, and speciality paperboards is increasing.

This shift is not only reshaping the product mix of Indian mills but also encouraging significant capital investments in modern, high-efficiency packaging lines.

As of 2025, the Indian paper and pulp industry is valued at approximately USD 14.75 billion, with projections indicating growth to USD 23.22 billion by 2030, reflecting a Compound Annual Growth Rate (CAGR) of 9.5%.

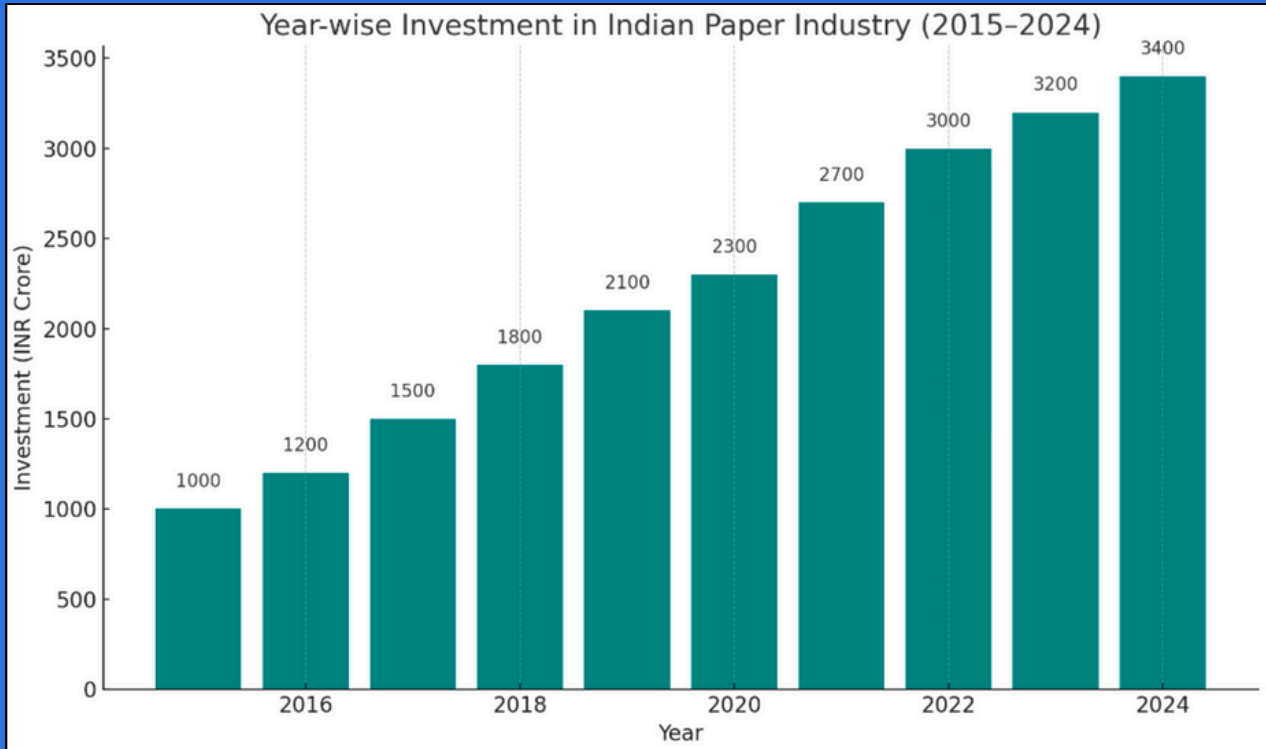


Globally, India ranks fifth in paper production, contributing about 3.5% to 4% of global output—following China (~30%), the United States (~15%), Japan (~5%), and Germany (~4.5%).

However, unlike these mature markets, where digitalization has significantly reduced the demand for printing and writing paper, India remains unique.

Another key trend is the shift toward recycled and agro-based raw materials. With nearly 71% of India's paper production relying on recovered paper, the sector is steadily moving towards circularity and resource efficiency.

In contrast, developed economies still rely heavily on virgin wood pulp. Moreover, India imports more than 40% of its waste paper requirements, making international recycling trends and policies increasingly relevant for domestic producers.



Technologically, Indian mills are investing heavily in automation, effluent treatment, and energy-efficient systems, with around ₹22,000 crore (USD 1.89 billion) invested in modernization over the past decade.

The adoption of Zero Liquid Discharge (ZLD) systems and biomass-based power generation is gaining momentum, positioning the Indian paper sector as a serious player in sustainable manufacturing.

Challenges & Future Outlook

Despite its promising growth trajectory, the Indian paper industry faces several operational challenges that could impact its long-term competitiveness if not addressed strategically.

Raw Material Constraints

One of the most pressing challenges is the availability and cost of raw materials. India's forest cover is insufficient to meet the fiber demand of its growing paper sector.

Consequently, only about 31% of paper production in India is wood-based, with the majority relying on recycled fiber (47%) and agro-residues like bagasse and straw (22%).

While these alternatives reduce environmental strain, they also introduce quality inconsistencies and higher processing costs.

India currently imports around 8–9 million metric tons of waste paper annually, primarily from the U.S., Europe, and the Middle East.

Any global disruption in recycling policies (like China's 2018 waste ban) or freight logistics can directly inflate the cost of production for Indian mills.

Additionally, the lack of a structured domestic waste collection and segregation system means valuable recyclable fiber is often lost or underutilized.

Rising Imports and Dumping

Another serious threat comes from cheap imports, especially coated and uncoated paper from countries like China, Indonesia, and South Korea.

These countries benefit from strong government subsidies and lower input costs, allowing them to export at prices below India's manufacturing costs.

As a result, Indian mills often struggle to compete, particularly in segments like art paper, newsprint, and copier paper.

Several domestic manufacturers have sought anti-dumping measures, but policy enforcement remains inconsistent.

In FY2024, India imported over 2 million tonnes of paper and paperboard—nearly 12% of its domestic demand—undermining local capacity utilization and profitability.

Environmental Regulations and Compliance Costs

While the push for sustainability is welcome, compliance with strict environmental norms—such as Zero Liquid Discharge (ZLD) and stringent effluent discharge standards—adds significant capital expenditure burdens, especially for small and medium-sized paper mills, which still make up a large part of India's production landscape.

Transitioning to cleaner technologies requires substantial upfront investment, and access to green financing remains limited outside of larger corporate entities.

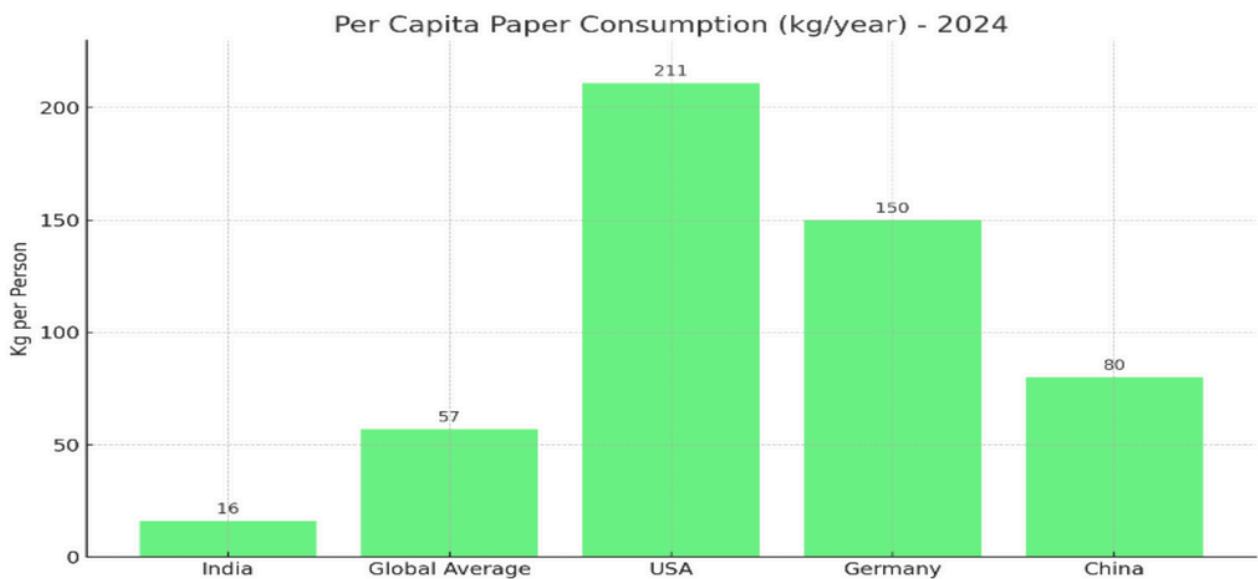
Future Outlook:

Poised for Sustainable Growth

Despite these headwinds, the outlook for the Indian paper industry remains resilient and optimistic.

The sector is expected to grow at a CAGR of 6–7% through 2030, driven by:

- The booming packaging segment
- Increasing educational demand
- Rising hygiene awareness
- Sustainability-driven plastic substitution



Per capita consumption, currently at 16 kg, is projected to reach 22–24 kg by 2030—still below global averages, leaving ample headroom for expansion.

The Indian government is also supportive, promoting plantation forestry, encouraging waste-paper collection ecosystems, and discouraging plastic usage through regulatory bans.

Initiatives like the National Mission on Sustainable Agriculture (NMSA) and green certification schemes aim to enhance long-term raw material security and compliance.

Additionally, India's growing stature in global trade offers export opportunities, particularly to Africa, the Middle East, and Southeast Asia, where Indian paper is increasingly gaining recognition for its quality-to-cost advantage.



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