Indian Paper Industry & The Role of Recovered Paper (RP)

Present Status of the Industry

- Installed Capacity: 13
- Production: 12.20 million tonnes
- Exports: 0.60
- Imports: 2.30
- Consumption: 13.90 million tonnes

Source: IPMA
The Growth rate for the Indian Paper Industry as projected by the industry 7.5 – 8% per Annun.

A more rational projected growth would work out to 4.87 – 5.4% per Annun.

This growth pattern is based on following trend as circulated by the country’s Central Bank (The Reserve Bank of India) and the Central Statistical Office of the Govt of India:

- A more rational projected growth would work out to 4.87 – 5.4% per Annun.
- Considering an average ball park of 5.5% per annun.
**Future Projection of Production Trend**

- **2020-21**
  - Projected Production: 16.23 Million tons
  - Projected Consumption: 17.73 Million tons
  - Increase: 5.5% per annum

- **2025-26**
  - Projected Production: 20.69
  - Projected Consumption: 22.59

**The Present Status of Raw Material Usage**

- **Recovered Paper**: 6.59
- **Virgin (Wood + Bamboo)**: 5.40
- **Agro (Straw + Bagasse)**: 4.09
- **Total**: 16.08

**ACTUAL FIBRE USAGE BASIS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovered Paper</td>
<td>6.59</td>
</tr>
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<td>Virgin (Wood + Bamboo)</td>
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<td><strong>Total</strong></td>
<td>16.08</td>
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</tbody>
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**END PRODUCT BASIS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovered Paper</td>
<td>5.73</td>
</tr>
<tr>
<td>Virgin (Wood + Bamboo)</td>
<td>3.90</td>
</tr>
<tr>
<td>Agro (Straw + Bagasse)</td>
<td>2.56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12.20</td>
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</table>
The Present Status Of Raw Material Usage

**Virgin Fibre**

85% or 4.59 million tons are sourced indigenously and balance 15% or 0.81 million tons are imported.

However, in the next 10 years virgin fibre based mills will continue to increase, which is less than 1% of India's total paper production, primarily due to limited availability of forest based raw material, arising out of:

- Growing population, receding forest
- Absence of industrial forestry
- Increased demand for agricultural land
- Higher demand for cash crops

The growth of agro residue based paper production will remain restricted due to:

- Environmental concerns
- Variations in the end product quality
- Higher carrying cost over longer distance
- Alternatives such as a mixture of grasses
Therefore, the road for growth for the Indian Paper Industry lies through **Recovered Paper**

**Recovered Paper**

The Present

- **Import**
  - 3.70 m tons
- **Indigenous RP**
  - 2.89 m tons
- **21% Of Total paper consumption**
- **Total Paper Consumption**
  - 13.9 m tons
- **Total RP**
  - 6.59 m tons
- **Paper industry receiving only**
  - +5.40 m tons
  - 4.09 m tons
Recovered Paper: The Present

PRESENT RP SOURCING

<table>
<thead>
<tr>
<th>Source</th>
<th>Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPORT</td>
<td>1.70</td>
</tr>
<tr>
<td>INDIGENOUS</td>
<td>2.89</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4.59</td>
</tr>
</tbody>
</table>

Raison D'être For Using RP In India

- Fibre shortage
- Fibre quality
- Power constraints
- Improved Paper M/C run ability
Majority of RP users have Deinking Plants – hence bulk of the offtake are Deinking Grades for the WPP units.

For Kraft producing units the focus grades are DS OCC, followed by NDLK.

Bleaching Grades, not much in demand, since higher prices make it uneconomical for mills requiring such grades, in terms of their end products.

Grades like SBS (both printed and unprinted) PCS (both printed and unprinted) Tissue Wastes have limited and specific requirements.

Pulp substitute grades, at present, do not find much favour since Pulp prices are at 485–495 USD level.

Indigenous – How Sourced

Source: ITC / WOW

--household through newspapers, magazines, books
- contractors / printers / waste
- government through marketing, recycling
- contractors / officers / educational inst. / industries etc.

- cartons, boxes, exam booklets, old records & files

Usage trend (Import)
Case For & Against Indigenous RP

For
- Easier Availability
- Less inventory holding
- Easier transportability
- Favourable pricing
- Not subject to currency fluctuation and foreign exchange outgo
- Known parameters

Against
- Weak fibre
- Quality limitation vis-a-vis end product
- No clear cut standards
- Limited availability within a given distance

Projected RP Requirement

Theoretically large potential exists for indigenous Recovered Paper generation
Projected RP Requirement for the Indian Paper Industry

According to IRPMA - 2011

Potential for Recovery of Indigenous RP

Despite potential, the limiting factors will prevent recovery from going much beyond 25 – 30% in 2020 and 2025.

The potential for indigenous RP fibre generation (after considering yield loss at 25%) expected to be pegged at:

- 2020 – 2021: 3.26 Million Tons
- 2025 – 2026: 5.06 Million Tons
Potential For Recovery Of Indigenous RP

The GAP in RP supply after generation through indigenous recovery, will work out to:

<table>
<thead>
<tr>
<th>PROJECTED RP REQUIREMENT</th>
<th>EXPECTED INDIGENOUS RP GENERATION</th>
<th>GAP IN RP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>10.75</td>
<td>0.69</td>
</tr>
<tr>
<td>2017</td>
<td>10.34</td>
<td>0.82</td>
</tr>
<tr>
<td>2018</td>
<td>8.11</td>
<td>4.57</td>
</tr>
<tr>
<td>2019</td>
<td>7.79</td>
<td>4.53</td>
</tr>
</tbody>
</table>

The GAP hovering around 5.00 to 6.00 million tons needs to be catered through imports.

In favour of imports:
- No other way to fill gap
- Quality of fibre superior
- Standard grading
- Continuity of supply
- Multiple sources
Comparison Of Potential Sources

<table>
<thead>
<tr>
<th>Major Sources for Imports</th>
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<tr>
<td>US</td>
</tr>
<tr>
<td>Europe</td>
</tr>
<tr>
<td>Middle East</td>
</tr>
</tbody>
</table>

FEATURES OF SOURCES

- Absence of large quantity News Grade import from any source.
- Europe has reached optimum generation of 70% and recycling within Economic limits available quantity.
- UK sterling Pound exchange rate being high, prices are not competitive.
- Middle East having limited availability, grade wise.
- Sometimes, Indian paper is brought back through recovery from the Middle East.
Comparison of Potential Sources

US stands out as the primary and the largest source of Recovered Paper Supply to India because of:
- Quality of fibre
- Wider variety of grades
- Easier convertibility of currency
- Wider B2B contacts.

BOTTLENECK
- Primarily shipping and freight
- Longer lead time
- Some bad business practices at both ends.

Conclusion
4.5 million tons of RP for the Indian paper industry
US being the largest source of supply
Opportunities for RP supplies from the US to India are
Enormous
- Robust economic system, legal system and regulatory mechanism
- Stable democratic setup, based on the rule of law
- International language of communication

The Indian market for RP for US suppliers awaiting full utilization.
WELCOME TO INDIA