

Paper Industry in India – Things you must know to enter the Industry

- Version 1.0

1 PREFACE

The Report comprises of the data we collected from different parts of the country to get a detailed view of the different aspects of paper industry in India. Some parts of the report also comprises of the information collected from different websites, which are publicly available information, and their reference is provided at the end of this report.

The content of the report cannot be used in any legal conflicts and we declare the report completely void for any legal purposes.

2 EXECUTIVE SUMMARY

The report focuses at analyzing the Paper industry in India from the point of view of entrepreneurs looking for available business opportunities in this sector. At stage one we summarized the production and distribution network of the industry. We have even mentioned the reasons on why the production houses are at these locations only. And where do they get their raw materials from and what are the different government policies directing the current industry structure.

At stage two we have listed the bottlenecks in the current setup of the industry, and also enlisted the different challenges the industry is currently facing. We also presented the comparative analysis between different means in which a person or company can enter this industry, and gave suggestions on the optimum way of entering the industry with minimal risk factor.

At stage three we have mentioned a detail information about the entry barriers and competitor analysis and the exit barriers of the current Socio-Economic structure of the industry.

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4 INTRODUCTION

The report is a product of 'Rajan Business ideas', an organization established on September 2014, and ever since working on the sole objective of perfecting the science of Entrepreneurship. It has been observed since few years that only 8% of the startups setup in India are able to sustain. Our mission is to increase this success rate to 20% within next 2 years.

This report is focused at giving you all the information related to the current position of the Paper industry in India. And also gives the detailed info on the presence of different paper plants with the reasons behind setting up in those locations. The report also explains the factors favoring the setup of the paper plants in India, and also the different parameters one needs to consider before setting up a paper plant in India.

The report will also mention the business opportunities available for people who want to start a new paper plant and the different locations that is most favorable for setting up a new paper plant in India. And you can also see a detailed comparative analysis between different ways of entering the paper industry, were in the different methods like purchasing an old paper plant and entering the business will be compared with setting up a paper industry from ground zero, and other methods in which a person might be able to enter the paper industry.

5 CURRENT INDUSTRY SCENARIO

In the current industry structure the raw materials required for a paper plant is one of the 3 below mentioned combination of materials, they are

- (a) Bamboo
- (b) Bamboo & Reed
- (c) Eucalyptus Grandis & Hybrids Reed & Bamboo
- (d) Bamboo & Bagasse

Apart from this, proper logistics and transportation infrastructure, and affordable labor are some of the major necessities to setup a paper mill. In India, Bamboo trees which are the most basic resource paper production are rapidly running out. And the existing paper plants are going for alternate ways to acquire this resources. Like growing their own trees in their own fields specially dedicated for the paper plant they own. These fields are generally located very close to the paper plant, which would enable the easy transportation of the Bamboo to the paper plant.

The distribution of the paper plants is highest across the eastern regions of India (like Nagaland & Assam), and the western regions of Kerala. The major reasons for these regions having the higher density of Paper plants is that there is an abundant availability of the trees which are used to produce paper. But due to recent government regulations the owners of these paper plants are not allowed to cut these trees, as the law strictly restricts deforestation in most of these regions. Hence the Mill owners are now more inclined towards growing their own bamboo trees for their paper mills.

Adding to that, the overall paper consumption in India is increasing continuously, and we see that there is only scope for increase in this consumption in the near future. The major segments that use the paper produced are the tissue papers and other quickly disposable versions of the papers. The market demand for paper in these segments has been increasing by 40% every year. The latest statistics suggest that the products that come under “scrap usage paper”, have a large segment of untapped market sector and there is a very high scope of market acquisition, which in turn is increasing the requirement for more paper production.

5.1 LIST OF PAPER PLANTS LOCATED IN INDIA:

Company name	State	Production Capacity (in MT / annum)
Amaravathi Sri Venkatesa Paper Mills	Tamil nadu	
Amrit Corp ABC Papers	Punjab	23,950
Andhra Pradesh Paper Mills	East Godavari, Andhra Pradesh	2,17,725
Ballarpur Industries	Maharashtra, Odisha, Telangana	
Cachar Paper Mill	Assam	
Central Pulp Mills	Songadh, Gujarat	
Century Pulp & Paper	Century Pulp & Paper	
Delta Paper Mills Limited.	West Godavari, Andhra Pradesh	51,100
Hemkunt Paper Mills Ltd.	Ludhiana, Punjab	50,000
Hindustan Newsprint	Kerala	
Hindustan Paper Corporation Limited	Others	
Hindustan Paper Corporation Ltd	Assam	
Indo Afrique Paper Mills Pvt Ltd	Maharashtra	
ITC Paperboards & Specialty Papers Division	Telangana	
J. K. Paper Ltd	Rayagada, Odisha	4,12,770
K. R. Pulp & Papers	Shahjahanpur, Uttar Pradesh	
Khanna Paper Mills	Amritsar, Punjab,	3,30,000
Laxmi Board & Paper Mills	Kalyan, Maharashtra	1,20,000
Murli Industries Ltd.	Wardhman Nagar, Nagpur	21,000
Mysore Paper Mills	Maharashtra	
Nagaland Pulp & Paper Company Ltd.	Nagaland	
Nagaon Paper Mills	Assam	
NEPA Mills, Nepanagar	Madhya Pradesh	
Orient Paper Mills	Haryana	
Punalur Paper Mills, Punalur	Kerala	
Punalur Paper Mills, Punalur	Punalur, Kerala	
Sai Rayalaseema Paper Mills Ltd.	Andhra Pradesh	
Sangal Papers Ltd.	Meerut, Uttar Pradesh	32,659
Satia Paper Mills Ltd	Muktsar, Punjab	
Seshasayee Paper And Boards Ltd.,	Cauvery R.S P.O, Erode	49,896
Shah Paper Mills Ltd.	Vapi, Gujarat	
Shree Krishna Paper Mills	Daryaganj, New Delhi	36,288
Shree Rishabh Papers	Ropar, Punjab	
Shree Venketesh Paper Mills	Uttar Pradesh	
Sirpur Paper Mills	Adilabad, Andhra Pradesh	75,796
Sri Nandha Paper and Board	Tamil nadu	
Sri Srinivasa Paper Mills	Chennai, Tamilnadu	
Suryaans Paper	THIRUVALLORE, Chennai, Tamilnadu	
Tamil Nadu Newsprint and Papers Limited	Karur District, Tamil Nadu	3,62,874

The South India Paper Mills	Nanjangud, Karnataka	200 MT/day
Trident Paper Mills	Barnala, Punjab	
West Coast Paper Mills	Dandeli, Karnataka	2,90,300
Whitefield Paper Mills	West Godavari, Andhra Pradesh	1,81,437
Yash-Papers	Faizabad, Uttar Pradesh	39,100



6 ENTERING PAPER INDUSTRY IN INDIA

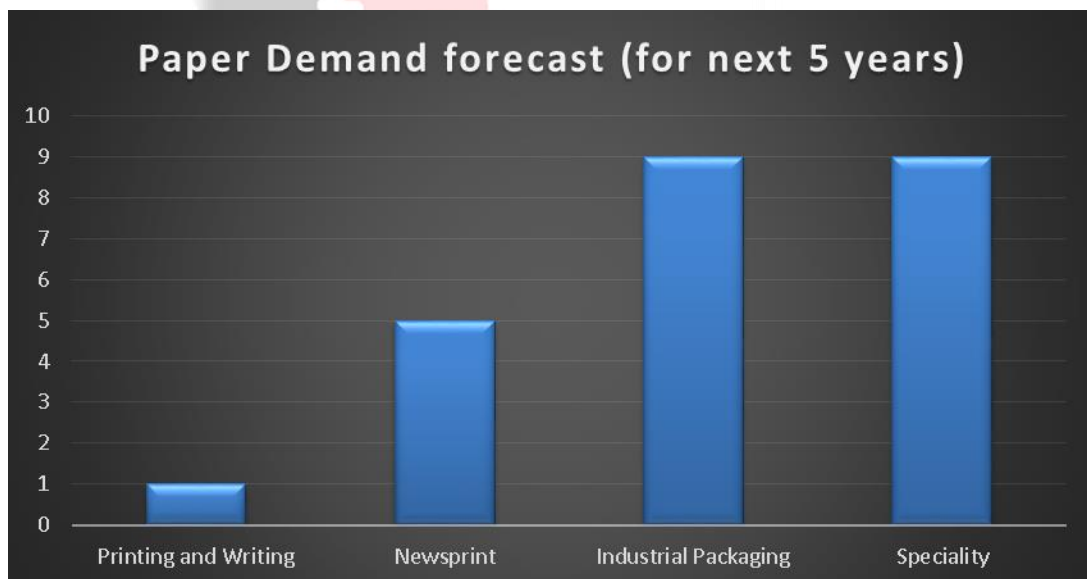
Broadly speaking there are 4 product categories of paper, in which one can enter into paper industry in India. They are

1. Printing and Writing Paper Production
2. Newsprint Paper Production
3. Industrial Packaging Paper Production
4. Specialty Paper Production

For each of these product categories a detailed briefing is provided below

6.1 DEMAND FOR THE PRODUCT CATEGORY IN INDIAN MARKET

Due to the rapidly changing lifestyle in India, the 'Specialty and Paperboard' and 'Industrial Packaging' papers are expected to experience a strong growth in the next five years. On the other hand the Newsprint paper has a medium growth rate, whereas the Printing and Writing Paper Product has a very low growth rate in its demand forecast. Hence basing on the demand forecasts, it would be a very safe bet to enter into the production process of Industrial Packaging and specialty paper products.



6.2 AVAILABILITY OF RAW MATERIAL FOR THESE PRODUCT CATEGORIES

The major raw material required for the production of each of these products is as mentioned in the table below

S.no.	Paper Category	Major Raw Materials required
1	Newsprint	Waste Paper collected
2	Paperboard	Bamboo, Bagasse
3	Industrial Packaging	A combination of costly raw materials
4	Specialty paper	virgin pulp

Newsprint: In order to produce the Newsprint, huge amounts of waste paper is imported to India from other countries because of the underdeveloped waste paper collection system, and low waste paper availability in India.

Paperboard: Though the availability of Bamboo is rapidly decreasing in India, the Bagasse is available in good quantities, as Bagasse is a byproduct of Sugarcane and India is one of the largest producers of sugarcane.

Industrial Packaging: Though the raw materials required are costly, the customers are ready to pay higher prices for the industrial packaging paper. Hence acquiring raw materials for this product category is not an issue, due to high margins available for the production companies.

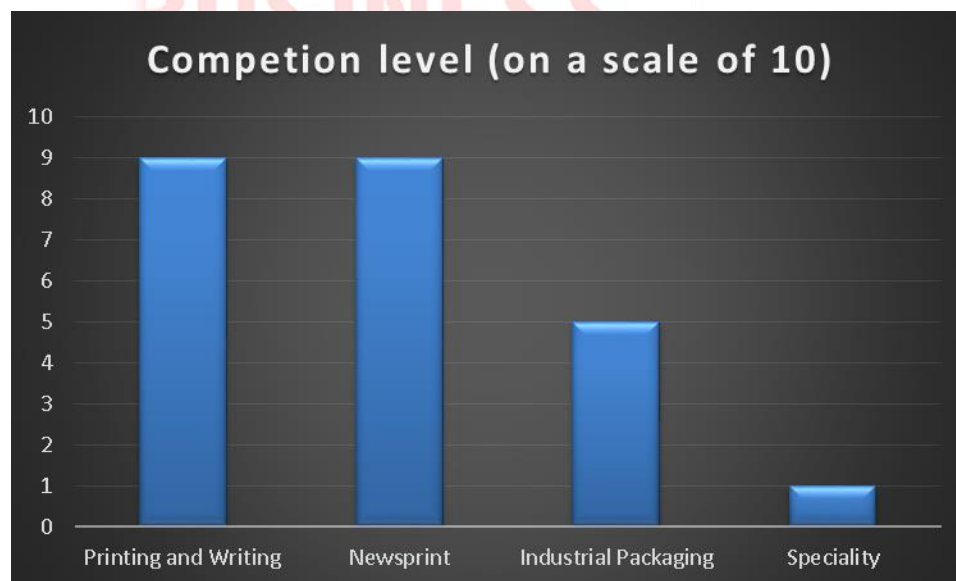
Specialty paper: A sustained supply of virgin pulp is essential for proper production of this paper product.

6.3 COST FOR THE PRODUCTION TECHNOLOGY

Almost all paper mills in India are producing at very low standards of technology, and almost none of the technologies used is comparable to the world standards. Only ITC and Ballapur Industries have machines that are comparable.

Competition for these products in Market

The specialty paper has the lowest competition in the market. And the Industrial packaging paper, the competition can be easily lowered by getting access to a better production technology. In case of newsprint paper, the biggest competitors are the local state owned paper mills, which have increased access to resources. And in the Printing and writing segment there is generally only one dominant Player with several small players in the Market. In brief, the below shows a brief comparison of the competition levels between these product categories.



6.4 THE 3 BEST METHODS TO ENTER THE PAPER INDUSTRY

Anyone who wishes to enter the paper industry generally goes for one of the following 3 methods

1. **Joint Venture:** Starting an Equity joint venture with an established player with sizable assets (land, plantations, distribution networks, etc.)
2. **Acquisition:** Purchase (complete or Partial) of a major player with sizable assets (For example, IPs acquisition of Andhra Mills)
3. **Greenfield:** Establishing a New Operation from Scratch

The below breakup shows the Pros and Cons of each of these methods

	Joint Venture	Acquisition	Greenfield
Pros	<ul style="list-style-type: none">1.Distribution network already established2.Pipeline for raw materials already established3.Potential to increase the share in the investment later4.No land acquisition issues	<ul style="list-style-type: none">1.Distribution network already established2.Pipeline for raw materials already established3.Easing of regulations and allowing 100% FDI4.No land acquisition issues5.Total control of operations aligned with its global strategy6.Ability to phase in capital expansion	<ul style="list-style-type: none">1.Newly installed capacity will be more efficient and productive2.Easing of regulations and allowing 100% FDI3.Total control of operations aligned with its global strategy
Cons	<ul style="list-style-type: none">1.Capital expansion of existing mill assets could be limited and challenging2.Willingness of the Indian partner to invest in capacity expansion is uncertain3.Challenge of exerting control over the entire operations4.Need to safeguard intellectual capital to prevent the partner from potentially starting a new entity at a later date5.Local partner might not be aligned with the global strategy that we might want to introduce	<ul style="list-style-type: none">1.Could be cost Prohibitive and overvalued2.Capital expansion of existing mill assets could be limited due to age and poor infrastructure3.Legacy issues (inheriting poor plants, infrastructure, management)	<ul style="list-style-type: none">1.Land acquisition can take inordinate amount of time in India2.High Political and Financial Risks3.Will take time to establish a pipeline for raw materials (plantations)4.Will need to establish new distribution systems

7 OUR RECOMMENDATION OF THE BEST ENTRY METHOD

The Indian Paper industry has an extraordinary growth potentials as it is at the beginning stages of a major transformation. There is huge growth in the market demand for different paper products in the near future, hence there are already projections in the market that there are several big players who are going to enter the Indian Paper Industry very soon.

Further the Policy changes by the government of India entertains more players to enter the paper industry. Basing on the above analysis we can safely assume that for a quick entry into the industry, it is better to consider “Acquisition” methodology. But in case you are looking to business expansion very soon after entering the industry, then Joint venture would be a best bet.

Product wise: Paperboard and Printing along with Specialty papers, are the segments with the greatest ease of entry and long-term growth.

Location wise: States that are investor friendly and closer to raw materials, like Andhra Pradesh, Maharashtra, and Gujarat are the preferred locations for consideration.

Methodology wise: Acquisition of or a controlling stake in a joint venture with an existing player with sizable assets offers the most attractive option for entry.



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