

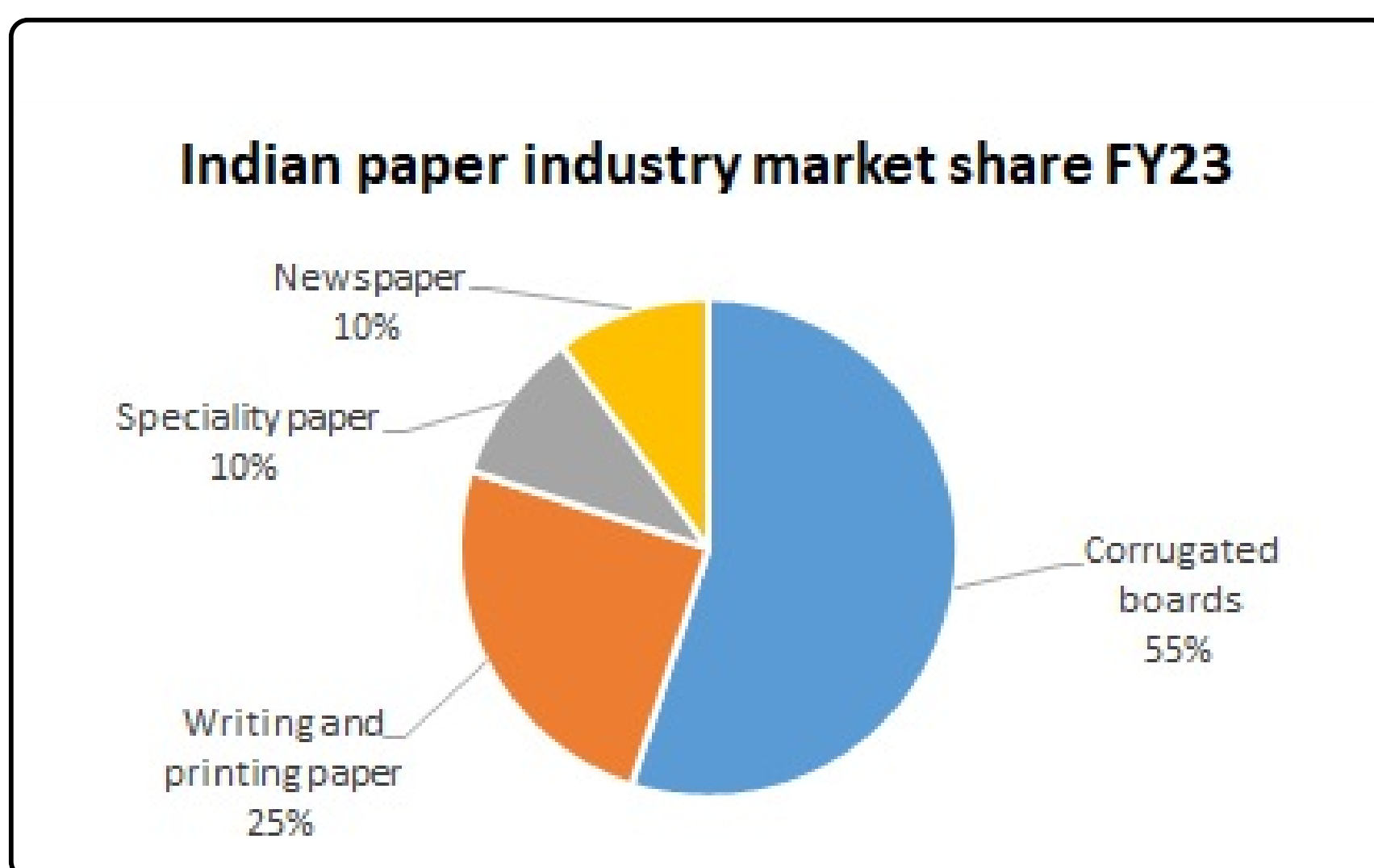


INDIAN PAPER AND PAPER PRODUCT INDUSTRY ANALYSIS

April- 2024

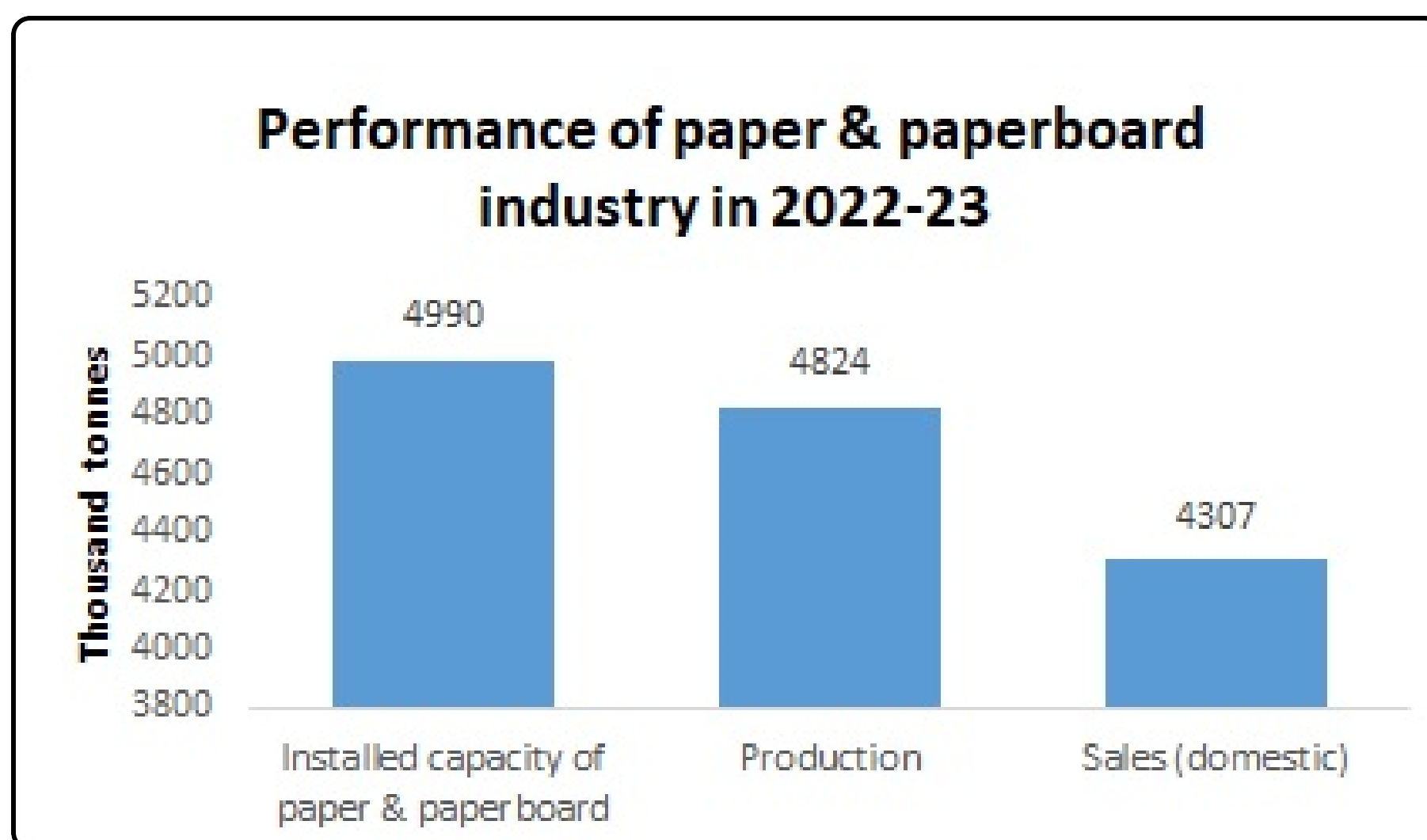


The paper and paper product industry is one of the key industrial sectors contributing to the Indian economy. The paper industry is one of the oldest industries in India and since the first mill was set up in the country, the number of paper mills has increased substantially and particularly in the recent past, the number of mills and volume of production have also gone up. The country is arguably the fastest-growing paper market. The paper industry in India accounts for about 5 per cent of global paper production. The Indian paper and paperboard packaging market is expected to reach \$15.69 billion (Rs 1,25,520 crore) by 2027. Packaging is a fast-growing industry catalysed by rising disposable income, growing consumer awareness and rise in processed food offtake. The Indian packaging industry is largely fragmented, with a large number of small and medium-sized enterprises present with few large-scale dominant players. The industry is heavily reliant on imports for high-end packaging machinery and technology. The Indian government has launched several initiatives to promote the growth of the packaging industry, including the Make in India campaign and the establishment of packaging parks. These initiatives provided support to domestic production, create employment opportunities and drive innovation and technological development in the sector. The industry is broadly divided into four sub segments as Carton boards and container boards (corrugated boards) account for 55 per cent, followed by writing and printing paper at 25 per cent, specialty paper at 10 per cent and newsprint at 10 per cent.



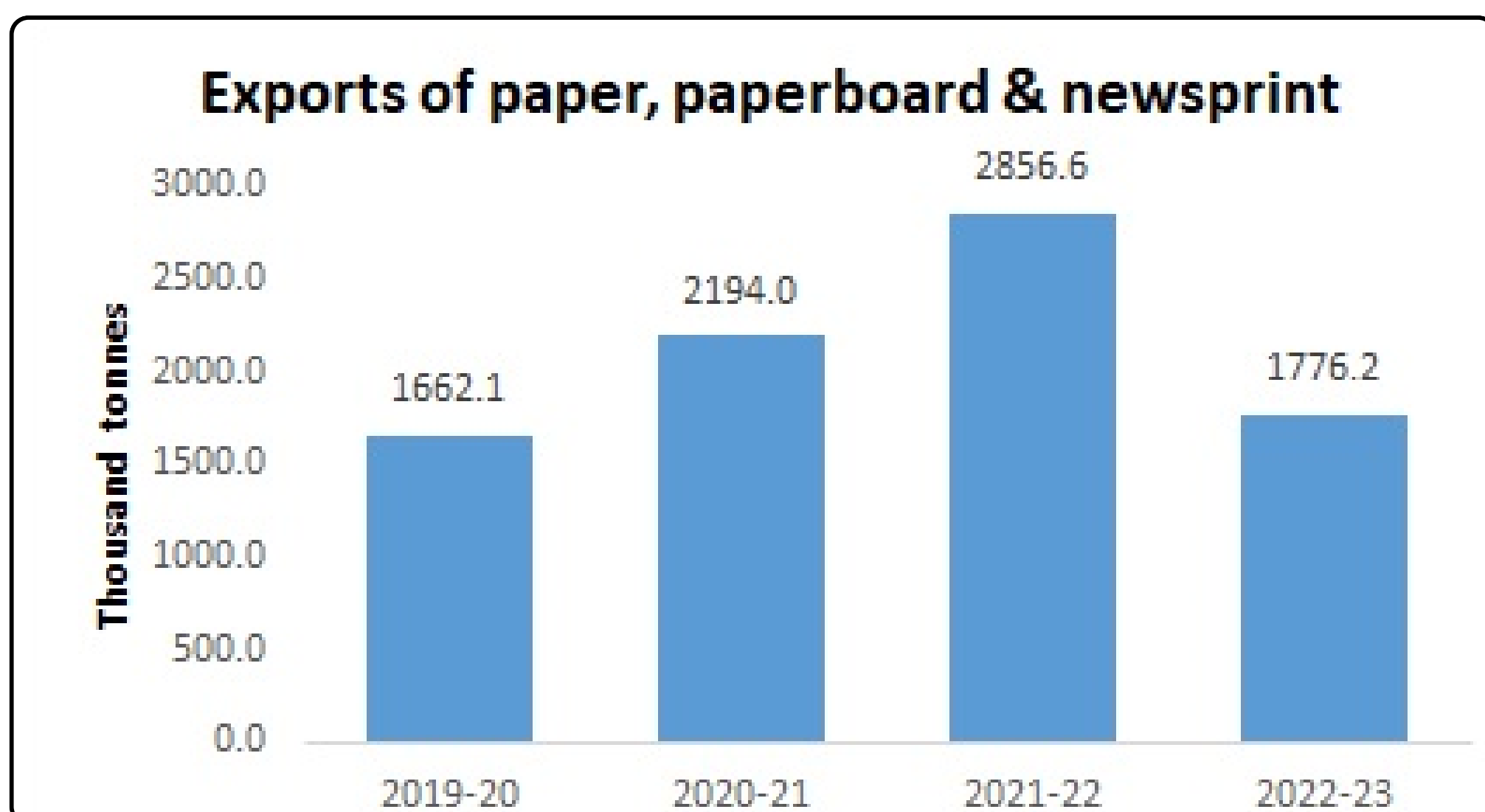
PERFORMANCE OF PAPER & PAPERBOARD INDUSTRY IN 2022-23

The installed capacity of the paper and paper board in 2022-23 stood at 4990 thousand tonnes. The industry's total production of paper and paperboard stood at 4824 thousand tonnes in 2022-23, which was 3.33 per cent below the capacity of the mills. Therefore, the industry has room for capacity utilization and increase the production which will help in restrict the imports and well as boost the exports of the country. Of the total production, under Writing & Printing Paper, Uncoated Woodfree production was 1397 thousand tonnes, Coated Woodfree was 342 thousand tonnes, Copier was 711 thousand tonnes, Creamwove was 248 thousand tonnes and other W&P paper was 10 thousand tonnes; under Packaging Paper/Paperboard, production of Kraft Paper and Board was 115 thousand tonnes, Recycled Duplex Board was 177 thousand tonnes, Virgin Multi-Layer Board was 1206 thousand tonnes and Other Packaging Paper was 10 thousand tonnes; under Other Varieties, Cup stock was 315 thousand tonnes, MG Variety/Poster was 96 thousand tonnes, Specialty Paper (including Tissue Paper) was 182 thousand tonnes and Others was 15 thousand tonnes. Meanwhile, the domestic sales of paper and paperboard stood at 4307 thousand tonnes in 2022-23.



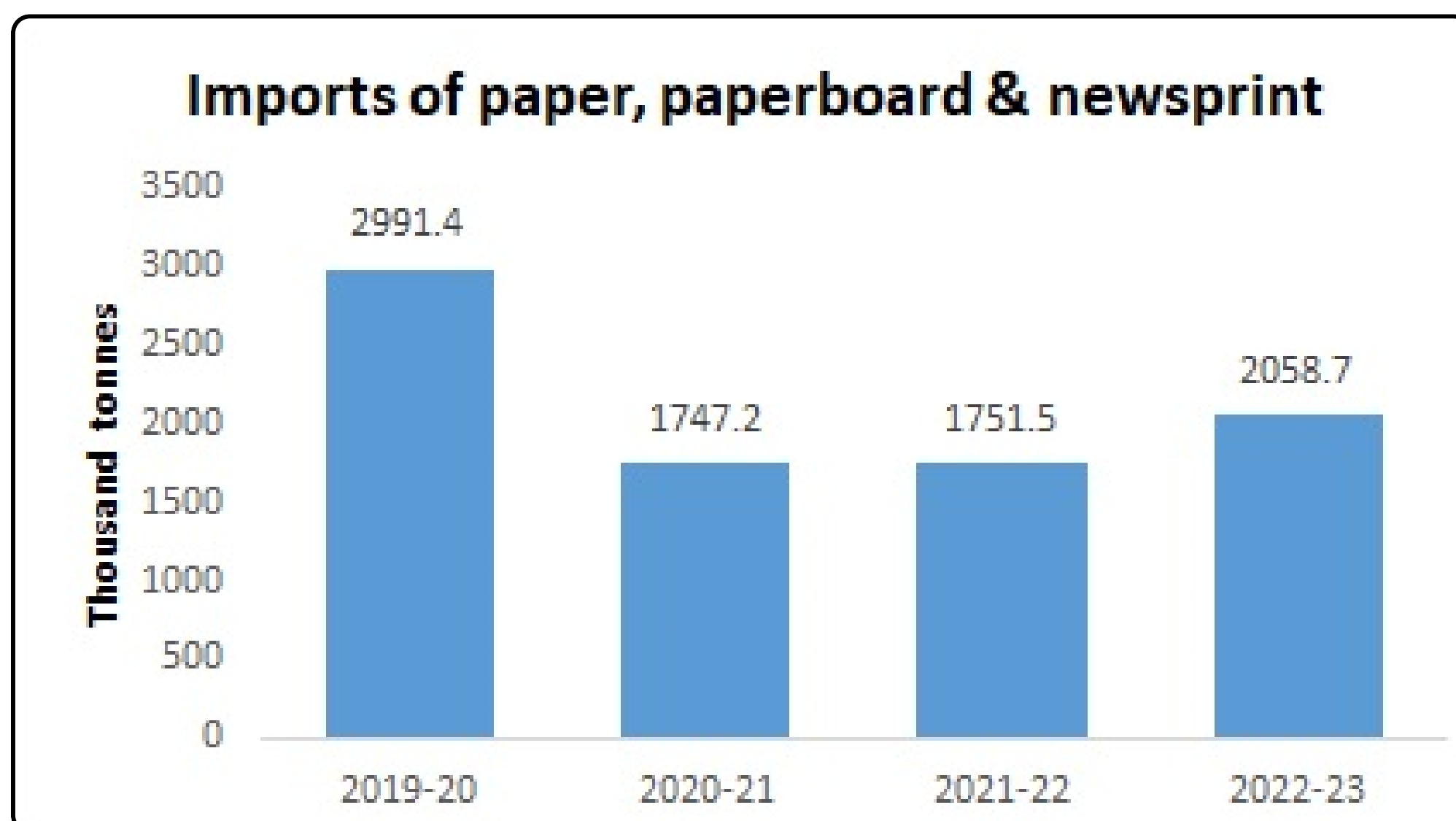
EXPORTS AND IMPORTS OF PAPER, PAPERBOARD AND NEWSPRINT

Exports of paper, paperboard & newsprint declined by 37.82 per cent to 1776.2 thousand tonnes during 2022-23, as compared to exports of 2856.6 thousand tonnes in 2021-22. Prior to that, exports were 2194.0 thousand tonnes in 2020-21 and 1662.1 thousand tonnes in 2019-20. Of the total exports in 2022-23, paper & paperboard coated on one/both side category has major contribution at 660 thousand tonnes, followed by other uncoated paper & paperboard at 486 thousand tonnes, uncoated paper & paperboard for writing, printing or other graphic work at 420 thousand tonnes, uncoated kraft paper & paperboard at 174 thousand tonnes, toilet or facial tissue stock, towel or napkin stock at 25 thousand tonnes, newsprint at 9 thousand tonnes and paper & paperboard, corrugated, creped, crinkled, embossed or perforated at 2 thousand tonnes.



In 2022-23, paper, paperboard & newsprint imports stood at 2058.7 thousand tonnes, 17.54 per cent higher over 1751.5 thousand tonnes in 2021-22. Of the total imports in 2022-23, paper and paperboard coated on one/both side category has major contribution at 685 thousand tonnes, followed by newsprint at 622 thousand tonnes, uncoated kraft paper & paperboard at 315 thousand tonnes, uncoated paper & paperboard for writing, printing or other graphic work at 247 thousand tonnes, other uncoated paper & paperboard at 171 thousand tonnes, toilet or facial tissue stock, towel or napkin stock at 13 thousand tonnes and paper & paperboard, corrugated, creped, crinkled, embossed or perforated at 6 thousand tonnes.

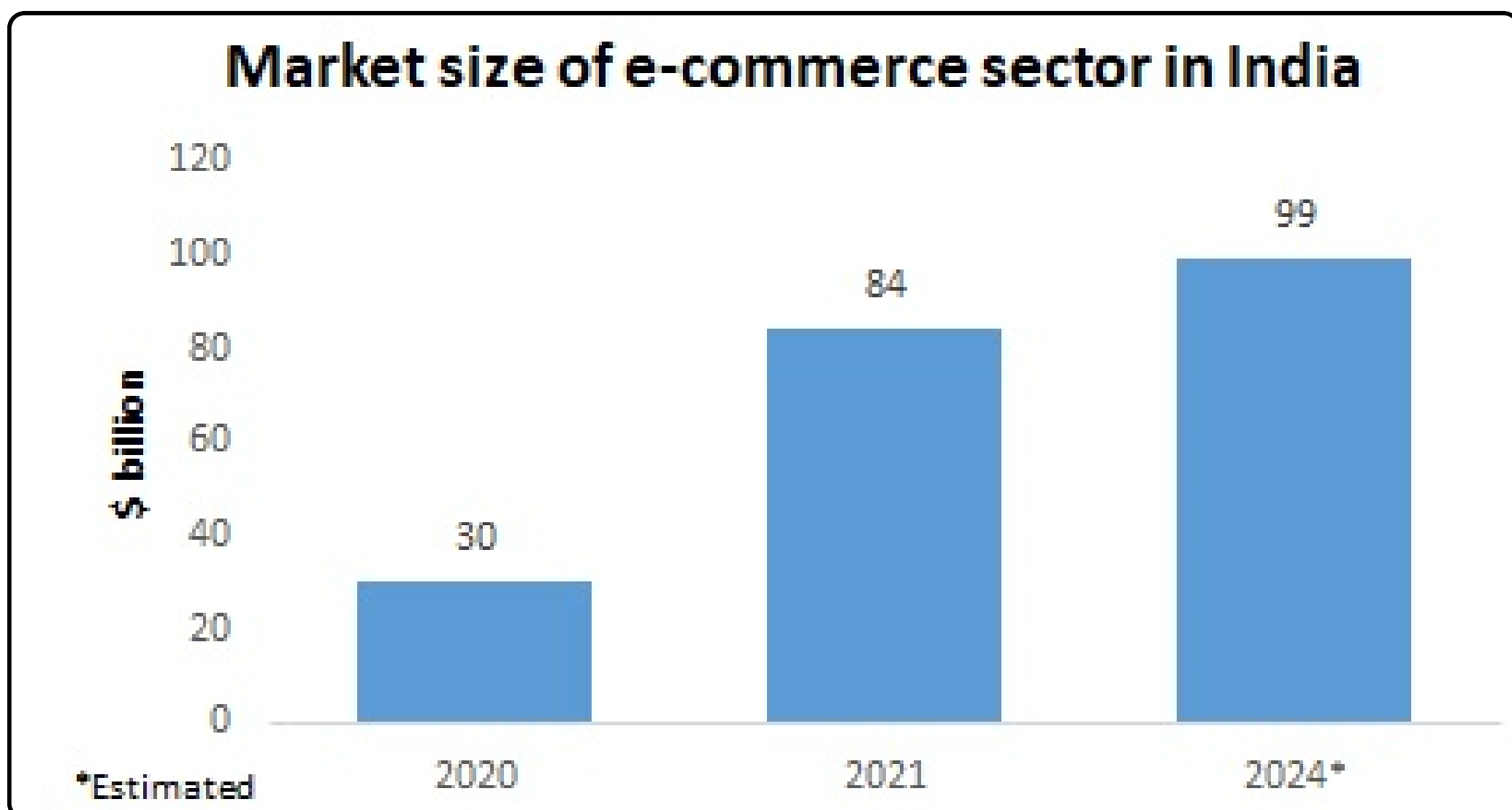
Imports of paper and paperboards have increased by 37 per cent to around 1.47 million tonnes in April-December this fiscal, which have hit the local paper mills. Paper and paperboard imports were around 1.07 million tonnes in the corresponding period of the last fiscal year. The surge in imports is mainly due to a massive 142 per cent growth in imports of paper and paperboard from ASEAN, which enter the country at zero import duty under the ASEAN-India free trade agreement.



POSITIVES FOR THE INDUSTRY

- **UPSURGE IN E-COMMERCE:**

The packaging paper segment has grown quickly, thanks partly to the flourishing e-commerce sector, particularly after the Covid-19 pandemic. India's e-commerce business is expected to grow from \$29 billion in 2020 to just over \$100 billion by 2025. This trend has led to a growing need for packaging materials, including corrugated boxes, cartons, and wrapping papers. Effective and efficient packaging solutions have become paramount as more consumers turn to online shopping for their daily needs. In addition, packaging paper and paperboard provide an eco-friendly solution for businesses seeking to deliver their products safely and efficiently.



- **HEALTHY GROWTH IN DOMESTIC PHARMACEUTICAL AND CONSUMER DURABLE SALES:**

Healthy double-digit growth in domestic pharmaceutical sales, and revival in consumer durable sales are driving demand for packaging paper. The domestic paper industry is dominated by the paper packaging segment. As sales are increasing the demand for packaging paper is rising and with growth prospect of this sectors in coming time will boost the demand for the packaging paper. The need for higher quality packaging sold in stores provided an impetus to the steady growth of this sector.

- **RISING INCOME LEVELS:**

The second driver of growth for packaging paper is the rise in the middle class, which has grown from 14 per cent to 31 per cent of the population between 2004-05 and 2021-22 and is likely to rise to over 60 per cent by 2047. Rising income has boosted consumer spending, with more people buying products with high-quality packaging solutions. The Indian paper industry has tapped into this opportunity by capitalizing on the growing demand for high-quality paperboard and packaging paper. The increasing demand for high-quality paperboard and packaging paper has encouraged paper manufacturers to introduce innovative products and expand their distribution channels. In addition, increasing consumer demand has allowed them to cater to a broader range of consumers who demand safe and secure packaging solutions.

- **SINGLE-USE PLASTIC BAN IN INDIA:**

On August 12, 2021, the Indian Government's Ministry of Environment, Forest, and Climate Change issued the Plastic Waste Management Amendment Rules, 2021 to reduce plastic waste and promote eco-friendliness. The ban on single-use plastic came into effect in July 2022 and has led to good traction in demand for paper-based alternatives such as paper bags and cups, presenting attractive growth prospects for the paperboard and packaging paper segment. Paper manufacturers have responded to this trend by increasing the production of these products and investing in new technology to enhance their quality and durability. While the current ban covers items with low utility and high littering potential, a potential extension to cover other things, such as sachets, pouches, and wrappers, will significantly impact the demand for paper-based alternatives in the medium term.

CONCERNS FOR THE INDUSTRY

- **RAW MATERIAL SHORTAGE:**

The Indian paper industry is highly dependent on the availability of raw materials such as wood, bamboo, and bagasse. Any shortage or price fluctuations of these raw materials can adversely affect the industry's operations and profitability. India has a total land area of 3.3 million square kilometres, yet only 0.7 million square kilometres of the area are covered by forests. The non-forested portion of the overall land area is about 78 per cent. Additionally, the shortage of raw materials for paper mills are due to factors such as depleting forest resources and restrictions on growing man-made forests. Due to extreme insufficient supply and high input costs, the Indian paper market is in an untenable state. The increase in production costs, logistics, chemicals, and raw materials has compelled paper mills to set new price records. The issue of a conspicuous shortage of basic raw materials together with their high cost has aggravated the pressure on the margins and the unviability of the operations in some cases also led to the closure of mills. The gravity of the situation is reflected in the fact that at present the cost of procuring wood in India is more than \$100 per tonne whereas the same in other competing countries that have advanced paper manufacturing is \$60 per tonne.

- **DIGITALIZATION:**

It is critical issue and challenges facing the paper manufacturing industry. The rise of digital technology has led to a decrease in demand for paper products as consumers and businesses increasingly rely on digital communication and storage. As a result, paper manufacturers are facing increased competition from digital media, which can impact their profitability and sustainability. In order to remain competitive, the paper manufacturing industry needs to adapt to this new reality and find new ways to use paper products that are not as easily replaced by digital media.

- **DUMPING IN INDIA EXCESS INVENTORY BY OTHER COUNTRIES:**

Paper manufacturers in export-dependent economies such as Indonesia and China enjoy substantial incentives, garnering significant market share in different countries. Muted demand due to the global economic slowdown and the anti-dumping/ anti-subsidy tariffs imposed by the US and EU has led to significant excess capacity of paper and paperboard in China and Indonesia. Taking advantage of the nil or low import duty in India, these countries are diverting their excess inventory.

- **ASEAN FTA AGREEMENT:**

Under the ASEAN Free Trade Agreement (FTA) agreement, reduced tariffs on paper imports from ASEAN countries would make it easier for them to export their paper products to India at lower prices, which could lead to higher competition for Indian paper manufacturers. Easier investments in paper manufacturing facilities in ASEAN countries could lead to a shift in production away from India and towards these countries, which could have a negative impact on the Indian paper industry.

CORPORATE DEVELOPMENTS

- **ANDHRA PAPER ANNOUNCES CAPACITY ADDITION AND NEW PRODUCT LAUNCH**

Andhra Paper's Board of Directors at their Meeting held on February 2, 2024 has inter-alia, approved for installation of Tissue paper machine at Kadiyam Manufacturing facility, East Godavari, Andhra Pradesh with a capacity to produce 100 tons per day with state-of-the art technology to extend product portfolio through production of different grades of tissue paper viz. facial tissue, toilet tissue, napkin, towel grade tissue with a capital investment outlay not exceeding Rs 270 crore. The proposed capacity addition is 35,000 TPA. The company has received the requisite permission of 'consent to Establish' from the Andhra Pradesh Pollution Control Board for installation of tissue paper machine.

- **JK PAPER SETTING-UP HARDWOOD BLEACH CHEMICAL THERMO-MECHANICAL PULP PLANT**

JK Paper's Board of Directors at its meeting held on July 24, 2023, with the objective of backward integration, considered and approved setting-up of Hardwood Bleach Chemical Thermo-Mechanical Pulp (BCTMP) Plant at Unit CPM, Songadh Gujarat, of capacity of 125,000 ADMT per annum, subject to requisite approvals and clearances. The company will invest around Rs 650 crore to be financed through mix of internal accruals and borrowings. The said BCTMP Plant is expected to be operational by Q2 FY2025-26.

- **PAKKA SETTING UP \$250 MILLION BAGASSE-BASED PACKAGING PAPER PLANT IN GUATEMALA**

Regenerative packaging solutions firm -- Pakka is setting up a 400 tonne per day bagasse-based packaging paper plant at an investment of \$250 million (around Rs 2,065 crore) in sugarcane-rich Guatemala, South America. The company is eyeing to get the plant commissioned by mid-2025. The company will be looking at multiple sources to raise the equity capital for the plant, including divesting stake in the American subsidiary or debt. The company is also nearly doubling its capacity of the Ayodhya plant with around Rs 550 crore of investment from 130 tonne/day to 230 tonne/day.

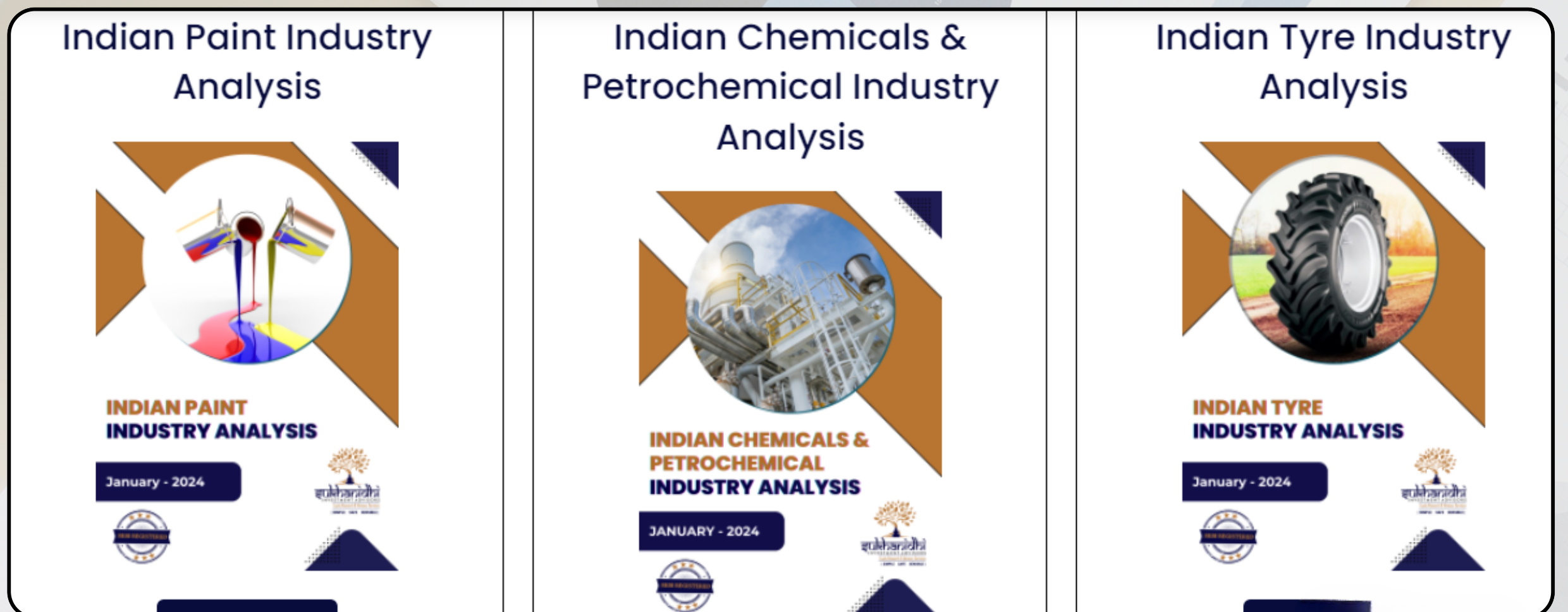
- **SESHASAYEE PAPER GETS NOD TO SECURE ENVIRONMENTAL CLEARANCES TO RAMP UP EXPANSION**

Seshasayee Paper and Boards' Board has accorded in-principal approval to secure environmental clearances to take up expansion work of its project under the Mill Development Plan-IV in Erode facility. The proposed plan was to augment the production capacity of pulp and paper at its manufacturing unit in Tamil Nadu. The enhanced pulping capacity would help the company to replace the costlier purchased pulp and reduce the overall cost of manufacturing per tonne of paper in the unit at Tirunelveli and the Servalakshmi unit. The environmental clearances for project Mill Development Plan IV in the company's manufacturing facility in Erode was to augment paper capacity from 1.65 lakh tonne to 2.31 lakh tonne per annum and pulp capacity from 1.80 lakh tonne to 2.52 lakh tonne per annum.

OUTLOOK

The recyclable and sustainable nature of paper makes it a vital component of the circular economy. The Indian paper industry is poised for the growth in coming time with help of rise in per capita consumption, robust economic growth, and structural transformation, transforming demographics, thrust on education and literacy by the Government, increased corporate activity and lifestyle changes and rising demand for improved quality paper. In the digital era, paper continues to hold a prominent position, offering accessibility and serving multifaceted purposes including communication, branding, packaging, and much more. The country's paper industry is likely to experience a sustained demand surge on account of a need for quality packaging boards in addition to a growing demand for value added paper (copier, cup stock, base paper for making straws and paper bags and other single-use paper products). The consumer packaging segment is expected to grow driven by increased volumes of household appliances, FMCG products, ready-made garments, pharmaceuticals and e-commerce. The ban on single-use plastics is likely to increase the demand for paper-based alternatives. The New Education Policy (NEP) is expected to lead to a surge in the requirement for textbooks. Moreover, some of the paper companies are expanding their capacity by setting up new plants as well as launching new products. This will also aid the domestic industry to grow in coming time. However, steadily rising imports may adversely impact the domestic industry and the government intervention is needed to reduce import dependency and promote domestic industry.

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A LITTLE ABOUT OURSELVES



Why We Started?

After speaking with hundreds of investors, we discovered that while most investors recognise the importance of investing in equities, many lack the time, knowledge, or necessary resources to evaluate stocks or construct a long-term equity portfolio. As a result, people risk their savings on a companies based only on the recommendations of relatives, friends, brokers, or any business channel, and end up losing their hard-earned money.

And after such instances, we realised the need for professional advice and decided to start the first equity research and investment advisory firm in Hubballi-Dharwad to assist individual investors across India with the sole purpose of offering unbiased, high-quality, fundamental, and affordable equity investment advice to create serious wealth over long-term.

Who We Are?

We are the first equity research and investment advisory firm based in North Karnataka and have 12 + years of experience in equity research and advising High Net worth Individuals (HNI's), Ultra High Net worth Individuals (UHNI's) and NRI's across India and the globe.

What We Do?

We help individual investors in generating inflation-adjusted, risk-adjusted, and tax-efficient returns and create sustainable wealth over the long term by recommending a high-quality direct equity (shares) portfolio.

What We Don't Do?

- Momentum trading
- Debt investments
- Derivatives (Futures & Options)
- Technical analysis
- Timing the market
- Over-diversifying
- Hedging
- Nonsense

What We Expect From Investors?

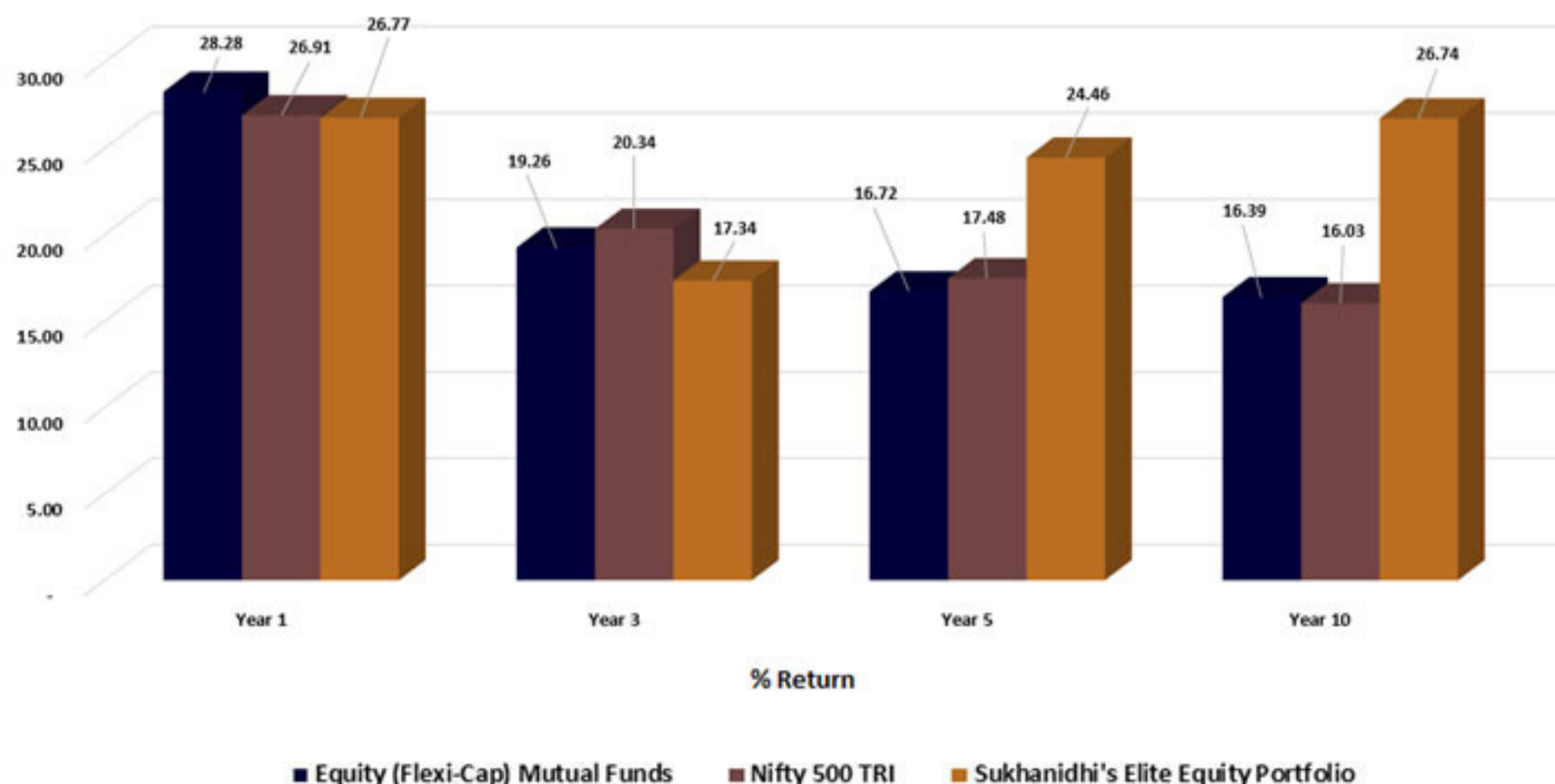
- A minimum commitment period of 5 years or more.

Why Sukhanidhi?

At Sukhanidhi, You Are Assured Of

- Excellence in our advisory services
- Objectivity and unbiased advice
- Credibility: we are SEBI-registered investment advisors
- Low cost: only fixed fees – no performance fees.
- Peace of mind: we uphold your trust with safeguarding your investments and offering our services at reasonable fees

Comparative performance analysis of Flexi-Cap Mutual funds vs Nifty 500 TRI vs Sukhanidhi's Portfolio



Here is why our portfolio is better than equity mutual fund and index fund

Maximize Returns & Reduce Your Expenses with Elite Equity Portfolio

Description	Flexi-cap MF		Nifty 500 (Index Fund)	Sukhanidhi's Portfolio
	Regular	Direct	Direct	Elite Equity
Lumpsum Investment (Rs)	50,00,000	50,00,000	50,00,000	50,00,000
Fees/Charges (in % Pa)	1.75%	1.00%	0.40%	1.00%
Fees/Charges (in Rs Pa)	87,500	50,000	20,000	50,000
5-Years CAGR Returns (in %)	16.72%	17.98%	17.48%	24.46%
Value of Investment at the end of 5th Year (in Rs)	1,08,31,694	1,14,29,098	1,11,88,959	1,49,32,035
Difference in Corpus	-41,00,340	-35,02,936	-37,43,075	-
Total Expenses / fees in last 5 years	-4,37,500	-2,50,000	-1,00,000	-2,50,000
Net Gains/Loss at the end of 5th year	-45,37,840	-37,52,936	-38,43,075	1,46,82,035

Source : Sukhanidhi Investment Advisors

Note: Our elite equity portfolio has generated a 26.74% CAGR (excluding dividend and bonus) in the last decade (10 years) as on 31st December 2023. Where in equity (Flexi-Cap) Mutual Funds 16.39% return and Nifty 500 Index has delivered a CAGR of 16.03% respectively. However, to be conservative, we are expecting around 15% CAGR(excluding dividend and bonus). There is no guarantee of returns and it is subject to prevailing market conditions.

What Our Client Say?



CA Aniruddha Phadnavis

Company Secretary & Compliance Officer,
VRL Logistics Ltd - Hubballi.

"Courteous, Sensible, Reliable, Effective"



Dr. Naveen H.C.

Prosthodontist Implantologist
Hubballi

Investing in equities has never been my cup of tea due to lack of knowledge and time constraint. It has been 4 years now that I have been associated with Mr. Vinayak Savanur. Since then, with his help, I have begun Investing in on equity shares portfolio for the next 20 years to take care of my after retirement expenses.

When I met him for the first time, he listened to each and every query of mine patiently and took me through the entire process they follow, from stock selection to portfolio construction in detail. Only then I found that Mr. Vinayak's way of approaching the stock market is very simple, safe, sensible. and I got convinced.

I would definitely recommend Sukhanidhi investment Advisors to anyone. Especially middle-aged practicing doctors like me. To utilize Mr. Vinayak Savanur's knowledge and expertise to plan their retirement well in advance and build a fool proof long-term equity portfolio.



Sanjot Shah

Director
Manickbag Automobiles Private Limited,
Hubballi

I have got experience from Sukhanidhi investments. The suggestions given by them are good and I am satisfied



CA Narasimhan Elangovan

Partner
KEN & Co., Chartered Accountants,
Bengaluru

Professional and well researched approach. Recommended for those who want to build wealth over long term! Great job Vinayak and team.



Satish Shenoy

General Manager
Samsung India Electronics pvt Ltd,
Mumbai.

A Good Methodology to filter best stocks to invest and easy to approach makes sukhanidhi team class apart; Thanks for your good service. Keep it up!!



Mamata Kulkarni

Texas, USA

Folks, its high time you get in touch with Sukhanidhi to fatten your wallets. Mr. Vinayak Savanur, a very knowledgeable financial advisor, patiently understands your concerns and accordingly guides you in reaching your financial goals. It has been a great pleasure to work with Mr. Savanur. The passion and dedication to his expertise was clear to see. We saw great results and we would strongly encourage others to work with Sukhanidhi! holding the investment for long periods, which is actually the prerequisite to get long term Compound returns from Equity investments. After coming in contact with SUKHANIDHI, after studying their methods in detail, I have now invested in their SUKHANIDHI ELITE EQUITY PORTFOLIO with a long term horizon of 5 to 15 yrs, with 3 different goals in sight, with the intention to withdraw the money as each life goal approaches during the future 15 yrs of my life.



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