HAWKINS WRIGHT

Defining India's Market

for pulp, paper & board

A multi-client report

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India is often presented as the “next China”, referring to its possible future impact on the global economy, as a magnet for investment and as an engine of growth. Superficially, India and China have features in common. Both have similarly huge populations (about 1.2 billion in India versus 1.3 billion in China) and both have economies which are currently growing at comparably rapid rates (8% pa in India versus 10% pa in China) although admittedly India is growing from a much lower starting point.

Important differences between India and China...

However, these headline statistics aside, the two countries probably have much less in common than is often thought. The demographics are very different; India’s population is much younger, and poorer, than China’s and is aging less rapidly, and the income inequalities in India are arguably even more pronounced than in China.

The structure of the two economies are also very different. The true origin of China’s growth is open to debate, but an effect has been the rapid development of an export-oriented manufacturing sector, one which has in turn been the source of further growth in the economy as a whole. India’s economy is developing along different lines, with a much greater emphasis on the service sector, characterised by IT out-sourcing and the ubiquitous call centres, and a still deep-seated political suspicion of foreign investment.

The political and legal structures in India and China are also substantially different: India is a vibrant democracy, albeit one with a lingering affection for a socialist past, whereas in China the Communist Party exerts strict political control while simultaneously adopting a more laissez-faire attitude to economic management.

India’s economic development is travelling a different road

These factors have influenced the different economic roads that the two countries have followed. Historically, India’s suspicion of foreign investment has led it to erect barriers designed to protect local industries, whereas China has welcomed foreign investment as a means of invigorating its moribund state sector. Local politics in both countries are distressingly corrupt, but India has a clearly more stable and functional legal system which in turn contributes to its objectively better record of corporate governance.

In their different ways, both of these factors may help to explain why India’s rate of economic growth has been slower than China’s. However, the quality of India’s growth has been of a higher order than China’s; capital has been invested more efficiently, the profitability of Indian companies is typically higher, the banking sector is healthier and India does not suffer the same structural economic imbalances as China.

Given these very different economic and political backgrounds, it is not surprising that the pulp and paper industries of India and China have developed along separate lines. Without a large export-oriented manufacturing industry to provide for, India’s production of packaging and printing paper — particularly of high quality grades — is far lower than China's. There has been no rush to invest in indigenous papermaking capacity capable of producing paper of internationally acceptable standards, nor has there been the same need for primary woodpulp or recovered fibre, although the latter is now gowing swiftly.

India's pulp, paper and board industry

India's paper and board industry is still at a relatively early stage of development, approximately where China's was around 10-15 years ago. Production is fragmented and – with some notable exceptions – relatively small scale in an international context: the average capacity of a paper machine in India is currently about 14,000 t/y.

As the Indian economy expands, there is an increasing requirement for higher quality paper and board, yet at the moment there is little prospect of the Indian industry being able fully to meet this demand.

As a result, imports account for an increasing share of India's paper and board demand. Between 2000 and 2006, India's imports of paper and board increased by about 110% to around 1.0 million tonnes. Admittedly, the total volume is still small in relation to China's imports, and imports are dominated by newsprint, but a distinguishing feature is that while Chinese import demand for several grades is now shrinking, India's import demand is still growing and is likely to continue doing so at an accelerating speed.

A similar pattern is evident in the markets for fibre. With negligible indigenous pulpwood resources and limited good quality recovered fibre resources, India will continue to be dependent on imports for much of any growth in domestic fibre demand. Between 2000 and 2006 imports of papermaking fibre increased by 130% to roughly 2.3 million t, of which 1.9 million t was recovered paper.

The purpose of this report

The Indian pulp & paper industry does have at least one thing in common with China and that is the scaricity of reliable and transparent statistics, whether official or unofficial. Through fieldwork in India and extensive desk research, the purpose of this multi-client report will be to interpret and verify the available data and in so doing to provide a detailed analysis of the Indian market, its current structure, its future prospects and the opportunities it offers to potential suppliers.

The scope of the report

The scope of the report will be broadly modelled on that of our successful studies on China — Defining the China Market for Pulp, Paper & Board — although the content and emphasis will be refined following discussions with potential subscribers.

The economic and political background

- Geography
- Population and demographics
- Economic and political trends and outlook

An overview of the structure of the Indian pulp, paper and board industry

- The structure of the industry: location, size, ownership etc. of the key producing companies and states.
- Total paper and board production, imports, exports and consumption, with forecasts to 2012

Newsprint

- Historical and forecast supply
- Newsprint producers, capacity and expansion plans
- Imports, sources, duties and tariffs
- Forecast demand and trade to 2012

Printing & writing papers

- Domestic production of printing and writing paper, trade and consumption
- India's commercial printing sector and trends in advertising spending
- Imports by destination, import duties, taxes and tariffs
- Forecast demand and trade to 2012

Packaging paper & board

- Historical and forecast supply
- Packaging paper producers, capacity and expansion plans
- Imports, sources, duties and tariffs
- Forecast demand and trade to 2012

Tissue and hygiene papers

- Domestic production and trade,

- Demand for tissue and hygiene papers in the context of social trends in India. Forecasts to 2012

Domestic fibre resources

- Wood resources and potential plantation development, examining the question of land ownership. Domestic woodpulp production.

Recovered fibre in India.

- The current infrastructure.
- Recovery and utilisation rates.

Imported fibre

- Market pulp imports by grade with forecasts to 2012.
- Recycled fibre imports, by grade, with forecasts to 2012
- Logistics and marketing
- The logistic infrastructure in India. Port congestion and constraints on trade. Inland transportation and warehousing
- Marketing structures. The main buyers and suppliers and their agents

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The experience of Hawkins Wright

Hawkins Wright is a business consultancy based in London, UK, specialising in the provision of consultancy and business information services to the international forest products industry. The company was formed in 1982 and over the past twenty-five years has developed an unequalled bank of data, qualitative information and senior contacts throughout the industry.

In addition to this report on the Indian pulp and paper industry, our regular multi-client services include an annual study titled *Defining the China Market for Pulp, Paper and Board,* a detailed pulp market forecasting service titled *The Outlook for Market Pulp* and a monthly newsletter and website titled *Pulpwatch* which follows developments in the international pulp market.

We also provide single-client consultancy services for individual clients covering the full range of marketing and strategic topics.

Visit ***www.hawkinswright.com*** for more information.

Availability and cost

The report was published in January 2008 and is available at a price of **£3,800**. Subscribers to our Defining the China Market 2007 report benefit from a reduced price of £2,750.

This price includes printed and PDF copies of the report, a powerpoint file, and a presentation meeting with the authors in London. If a meeting is requested elsewhere a charge may be made for staff travel and subsistence costs. Hawkins Wright will also respond to enquiries relating to the report and provide updates throughout the course of the year.

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