



INDIAN PAPER MANUFACTURING INDUSTRY

**Diverging trends - Packaging
segment drives growth while PWP
segment continues to underperform**

December 2025





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The business outlook for the printing and writing paper (PWP) segment remains Negative, given the sustained pressure on earnings. Competition from cheaper imports limits meaningful improvement in realisations, which coupled with elevated wood pulp prices (a key input) keeps margins under pressure.

Packaging sector however shows a divergent trend with stable demand. Operating leverage benefits from increased scale of operations and a better product mix are likely to support margins in FY2026 and FY2027.



The Indian paper industry can be broadly classified into packaging paper, which forms around 65% of overall volumes; printing and writing paper (PWP), the second major segment accounting for around 23% of overall volumes, followed by newsprint and others.



PWP segment's earnings (for ICRA's sample set of seven listed entities) contracted** significantly in FY2025, as 8% dip in realisations led to 4% decline in revenue despite modest volume growth of 4%. Intense competition from low priced imports has constrained the pricing flexibility of domestic manufacturers. Revenue growth during FY2026 and FY2027 is likely to remain subdued, owing to weak realisations and marginal volume expansion in the low single-digit range. The fall in realisations, combined with elevated input costs (particularly wood pulp), resulted in a steep contraction of operating margins by around 1000 basis points (bps) in FY2025. ICRA projects margins in this segment to remain under pressure in FY2026 as well.



The packaging segment's revenue (for ICRA's sample set of six listed entities#) was supported by around 20% volume growth, driven by capacity expansions and steady demand from e-commerce, FMCG and pharmaceuticals industries. ICRA estimates revenue growth to remain healthy at 10–12% in FY2026, driven by the ramp-up of newly commissioned capacities. Over the medium term, however, the pace of growth is likely to moderate as capacity utilisation reaches optimal levels. Operating margin declined to 8% in FY2025 from 12% in FY2024, primarily due to higher raw material costs and a 5% drop in realisations. ICRA expects the margins to improve to 10–12% in FY2026 and FY2027, supported by operating leverage benefits from increased scale and an improved product mix.



Capacity additions in the PWP sector are anticipated to be modest in the near term. However, many players are investing in backward integration, focusing on wood pulp processing and power plants. The capex in the packaging segment is expected to be around 6-8% of revenues in FY2026. Following the capacity additions over the past few fiscals, the pace of new additions is expected to moderate post-FY2026 to around 3-5% in FY2027.

**Seven entities account for 45-50% of the Indian PWP volumes; #Six entities account for 5-10% of Indian packaging volumes.

1 Sector Outlook and Industry Landscape



2 PWP Segment



3 Packaging Segment



4 Demand Drivers



5 Quarterly Performance of Key Paper Companies in India



6 Peer Comparison



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ICRA's rating actions in paper sector





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