

Indian Paper Scenario – January 2000

Newsprint prices in the domestic market are bound to go up during the early part of 2000, close on the heels of the hike effected by international players. The buoyant trend in the paper industry was set to continue well into the new millenium, with the prices of printing and writing paper also set to increase further. Newsprint prices, which have remained low in recent times, are likely to increase by more than Rupees One Thousand per tonne in January/February. The price increase by the domestic players follows the hike in international prices of newsprint and pulp. Domestic newsprint prices are ruling at Rs. 22,500 per tonne. Similarly, the cost of printing and writing paper was set to increase by about Rs. 1,000 per tonne. The increase could be effected any time now. The demand during the year - end had been healthy, and the peak demand during the beginning of next year to cater to the start of the academic year was expected to hit new highs. While the prices of printing and writing paper had been buoyant this year, the earlier increases had helped to partially compensate the increase in production cost due to hike in cost of inputs and transport. The envisaged increase would mean improved margins for the manufacturers.

In December 1999, printing and writing paper manufacturers affiliated to the India Agro Paper Mills Association (IAPMA) hiked prices by Rupees Five hundred to Rupees One Thousand per tonne. The upward trends is expected to continue and prices are likely to go up by Rupees Two Thousand over the next few months. Imported newsprint prices have increased by about US\$ 50 per tonne following a shakeout in the industry. The earlier period characterised by low prices had proved to be a consolidation phase. There had been a significant reduction in production capacities among the major players in Canada. This has corrected the supply situation. Pulp prices have also been buoyant with similar corrections in production capacities. Inventories have hit low levels that are unprecedented in the last decade.

International pulp prices of hardwood and softwood are on a rise, and the paper manufacturers in the country are at present a happy lot. Prices have gone up by almost US\$ 250 in the last five months. Pulp prices were ruling around US\$ 450 five months ago. Paper manufacturers are finding exports viable at last. TNPL had export orders close to 15,500 tonnes till December 1999, while it was only 5,500 tonnes in the previous year for the same period. The South East Asian economy is looking up, leading to better paper prices from Korea. Indonesia has become a net importer with a couple of pulp plants closing down on account of pollution problems and financial problems, while another has decided to forward integrate into paper, leading to a shortfall of pulp.

BALLARPUR INDUSTRIES LIMITED (BILT): This Thapar group company has decided to increase its stake in its Thai joint venture company, Phoenix Pulp and Paper Company. BILT is currently undertaking a Rs. 5,000 million expansion plan by increasing the paper capacity at its various plants in the country. The company has been one of the promoters of Phoenix Pulp and Paper around 15-20 years back and in early 90s had to divest its stake to 10 per cent from around 4 per cent due to Reserve Bank of India guidelines. But in the 90s again BILT increased the stake to 25 per cent. Under the expansion plans, which also involves hiving off its various paper units into separate companies, it would concentrate on writing and printing paper and would double its capacity from 0.33 million tones to 0.65 million tones per annum with an investment of Rs. 1,800-2,000 million.

BJ DUPLEX BOARDS LIMITED: This company is planning to pump in about Rs. 1,250 million over the next four years for its e-commerce venture. A large chunk of the funds would be raised internally. The company, engaged in the manufacturing of paperboards with an installed capacity of 15,000 tonne per annum, is also coming out with a slew of Compact Disks (CDs) aimed at the transportation industry over the next few months. They are also planning to sell 20 million of CDs by 2001-02 in the country as well as abroad.

SINAR MAS PULP AND PAPER INDIA LIMITED: The Indonesian paper giant, Sinar Mas, has decided to increase the paid up capital of its wholly owned subsidiary in India from the current level of US\$ 150 million to US\$ 185 million. The increased foreign equity of US\$ 185 million would be subscribed by Sinar Mas Holdings (Mauritius) Limited, a subsidiary of Sinar Mas Group of Indonesia which currently holds the present foreign equity holding of US\$ 150 million in the Indian subsidiary. The proposed level of US\$ 150 million equity will be Rs. 7,955 million at the Exchange Rate of one Dollar equal to Rs. 43.00. The company has incurred a cash loss of about Rs.1900 million so far and its accumulated loss has gone up to around Rs. 2,590 million. The company's sales turnover on 31st March 1998 stood at mere Rs. 21.20 million against the backdrop of massive investment. Therefore, the company felt that there was an urgent need for financial reconstruction to ensure long term viability and growth of the company.