

Indian Paper Scenario – May 2002

With paper prices showing signs of recovery in the global market, Indian paper majors are drawing up plans to increase the prices of their products in the domestic market. Globally, the prices of eucalyptus-based pulp, which is used as a raw material for making paper, has already gone up by \$50 per ton. Also most companies have started de-stocking now after several newsprint producers shifted to writing and printing paper last year when newsprint prices fell. The industry is expecting the average prices of the products to further increase by at least \$10-15 per ton approximately in the international markets in a few months. In the domestic market, JK Paper Limited has already increased the prices of its branded products, which includes JK Copier, JK Excel Bond etc by 2.5 per cent or Rs. 1,000. After this increase, the average selling price would be around Rs. 43,000 to Rs. 44,000 per ton for its branded products. It is also understood that Ballarpur Industries Limited. is planning to increase the prices for its uncoated range. According to an official at BILT, this would be the first price hike for the company in 2002. At present, the average operating prices for the uncoated range in the market is about Rs. 36,000 per ton and about Rs. 46,000-47,000 per ton for the coated range including art paper, chromos etc. This apart, JK has also raised the prices of its unbranded products, which primarily includes the writing and printing range by Rs. 500 last month. At present the average price for the unbranded products is estimated at Rs. 40,000. The official said that JK Paper Limited commands a premium price of 5-10 per cent over the average industry price. The market had absorbed the prices well, said a senior official of the company. The company had also increased the prices of the writing and printing range by Rs. 500 for a ton in January. The consumers want good quality products and the market absorbed the increase, said the official. According to the JK official, the market had absorbed the earlier price hikes without much trouble. The industry is expecting a robust demand for quality products. At the same time, the demand is expected to go up by at least 5 per cent. The paper industry is hoping that the prices would further increase in a few months.

The “Tao” Chinese, who came to India to escape religious persecution about 800 years ago, believing that their skill in making paper would sustain them here, are once again a threatened community, struggling for survival. Originally settled in Delhi, the community was brought to Daulatabad by Emperor Mohammad-bin-Tughlak, when he shifted the capital in 1321. The industry moved outside the walled city close to the lake for water and Tughlak even had a lake, ‘Houz-e-Nilam’, built specially for the industry, which still serves the village community. They enjoyed royal patronage through the centuries serving different dynasties in medieval India. Till Independence, even the Nizam of Hyderabad used their hand – crafted paper for all his office work as did the Prince of Bukara in Turkey. However, the 800-year old industry in Kagzipura village in Khultabad, about 40 km from Aurangabad, now looks lifeless despite the Government schemes under the Khadi and Village Industries Corporation (KVIC) that are meant to support them and is looking for support to survive competition from the paper industry. One of the advantages of the handmade paper is that it returns to its original shape even if it is folded. The paper is ideally suited for use in Government records, especially land records, as it cannot be tampered with, but unfortunately this is not happening these days. The Khadi Gramodyog Commission, the controlling body, sends the mandatory request for handmade paper samples before the start of the financial year annually. This is the only communication the office sends to the industry. In keeping with the Government directives for KVIC and under Government purchase programmes and

schemes, the limits of daily production of around 60 kg at a cost of approximately Rs. 4,00,000 per month can be easily lifted setting back on track the struggling industry.

Central Public Sector Hindustan Newsprint Limited (HNL) is all set to commission its de-inking plant in December 2002 whereby the company could go in for re-cycling paper waste. All civil work on the Rs. 550 million project has been completed and erection of the machinery was on, according to company Managing Director Mr. NP Prabhu. He said, that owing to the stringent norms regarding forest produce, it had become imperative to seek alternative sources. Hence the move to have a de-inking plant. The plant with a production capacity of 100 tons per day would help reduce dependence on forest produce for pulp by at least 33 per cent. This would be more eco-friendly and the plant would be recycling waste paper. The total newsprint capacity of the plant was 0.15 million tons per annum. For the time being, the company would be sourcing its waste from the US. On the need to go in for such costly venture, Mr. Prabhu said that this was needed to stabilize the plants operations. Once through, the company would consider sourcing the waste paper from within. Larsen & Tubro was involved in the machinery installation operations and the machinery would be sourced from the German firm Voith. About plans for raising the plant capacity or other modernization projects, Mr. Prabhu said that as of now, the company was concentrating on the de-inking plant. The company had been compelled to go in for such a plant as sourcing of forest produce had become difficult. Also, in the changing scenario, it was important that the company became more conscious of the environment and helped protect and preserve forest wealth.

Close on the heels of the state-owned Hindustan Paper Corporation (HPC) raising the prices of all varieties of writing and printing paper on an average by Rs. 500 per ton, integrated large and medium paper mills in the private sector which are members of the Indian Paper Manufacturers Association (IPMA) have decided to revise prices up to a point that the current market is prepared to absorb. The IPMA member-mills are believed to prefer to increase the prices of writing and printing (cream Wove) paper at one go by an average of Rs. 1,000 per ton instead of using the installment approach. The hefty increase is being planned with the clear understanding that they should not miss the opportunity afforded by a buoyant market situation in order to improve their bottom-lines during the current fiscal. The executive council of IPMA, which met here recently, had evaluated the demand and supply situation of the domestic paper market. While appreciating HPC's wisdom of revising prices thrice during the last six months, the IPMA has veered round to the idea of revising prices next month. Meanwhile, a section of large mills have stopped giving discounts to their distributors and dealers as part of their efforts to change the market psychology from surplus situation shortage. According to IPMA sources, inventories at the mill ends have almost been dried up with an improved buying support from dealers coupled with higher volume of exports of speciality papers by a section of large paper mills. Moreover, anticipating that the prices are likely to be firmed up with the mills proposing to revise prices, paper dealers all over the country are reported to have started building stocks to fetch premium. The emerging market scenario is expected to help paper mills not only to revise prices but also to maintain the enhanced price levels even at the off-season beginning from July-August. It may be mentioned that HPC revised prices by Rs. 300 per ton in December, 2001, Rs. 600 per ton in April this year and by Rs. 500 per ton early this month. According to a HPC source, the market had absorbed the revision of prices but he was not certain whether the prevailing prices could be maintained after the end of the ongoing busy academic season.

TAMIL NADU NEWSPRINT AND PAPERS LIMITED: This company has reported a pre-tax profit of Rs. 702.60 million on a sales turnover of Rs. 5951 million in the 12 months ended March 31, 2002. In the corresponding period last year, the pre-tax profit and sales turnover were Rs. 835.50 million and Rs. 6203.40 million respectively. The company could record this performance despite a decline in market prices of printing and writing paper through the 2001-02 and a decline of more than 30 per cent in the market price of newsprint during the year.

WEST COAST PAPER MILLS LIMITED: This company is planning to grow fast through the requisition route because it has limitations in expanding capacity at its Dandeli mill in Karnataka due to space problem. A 2150-million modernization and expansion program is already on and the company expects to complete this programme within the current fiscal year 2002-03 so that it could produce at least 1,00,000 tons of paper and 60, 000 tons of duplex board at reduced costs. The company directly commissioned a multiplayer duplex board machine of 33,000 tons per annum (tpa) capacity enabling it to produce speciality grade duplex board. The company has spent Rs. 1400 millions till March 2002 towards modernization, expansion and diversification while the balance Rs. 750 million is scheduled to be spent during the current fiscal.