

Indian Paper Scenario – March 2003

Most paper mills, irrespective of their size and the type of raw material used, have increased prices of all varieties of writing and printing paper and paper-board on an average by Rs. 1000 per ton during this month. Large paper mills, although unaffected by the Union Budget proposal to impose eight per cent excise duty on the mills having annual production capacity up to 3,500 tons, have increased prices of writing and printing paper between Rs. 500 and Rs. 1000 per ton, while the prices of duplex board would be costlier, between Rs. 1500 and Rs. 2000 per ton, depending on quality. Small paper mills based on waste paper, unconventional and agro-based raw materials have affected a maximum increase. The rise in prices from this sector has been between Rs. 1500 and Rs. 2000 per ton of writing and printing paper. Paper industry sources have stated that cost of production has gone up with the sharp increase in prices of imported waste paper and virgin pulp. The eight per cent excise duty on small paper mills up to a capacity of 3,500 tons per annum has added an extra cost on the production. The current price revision is being made only to neutralise the additional cost on production. The sources felt that the revised prices would be absorbed in the market since it has been made after a gap of six months, coupled with the beginning of the peak buying season of paper and paper products from the educational sector. Incidentally, the state – owned Hindustan Paper Corporation (HPC) has decided to wait for couple weeks before revising prices, as it felt that any revision might not be absorbed in the market before April.

On the face of it, the Budget didn't have any major changes for the paper industry, but the fine print hid a bomb for the small manufacturers. The excise exemption for small manufacturers, who use unconventional agro and recycled paper as a raw material up to 3,500 tons capacity level, has been removed and replaced with 8% excise duty. Further the 16% duty beyond that capacity has been retained. This is at par with that paid by the wood-using paper manufacturers. This will impact players like Nath Pulp and Paper, Rama Newsprint and TNPL apart from a number of small players. Paper manufacturers using unconventional resources currently constitute about two third of total production but more than 90% of the total paper units in the Rs. 120000 million paper industry. Indian Agro and Recycled Paper Mills Association (IARPMA) have cried foul over the equalization of the 16% duty for both forest and unconventional raw material using paper manufacturers. This equalization of duty has affected the small and medium scale mills in the country. IARPMA has called for uniform 8% excise duty on paper manufactured out of non-conventional raw materials replacing the 16% duty for production above 3500 tpa as in the past and a separate classification for paper containing not less than 75% of pulp made out of agro residues and waste paper.

JK PAPER LIMITED: This Company has reported a quantum jump of 114 per cent in net profit at Rs. 97.40 million for its third quarter ended March 31, 2003, as against the corresponding previous quarter of Rs. 45.60 million. The company has achieved a turnover of Rs. 1658.50 million for the quarter with an operating profit of Rs. 347.50 million (20 per cent increase), and cash profit of Rs. 259.70 million (up 49 per cent). Net profit for nine months stood at Rs. 254.30 million a jump of 98 per cent over the corresponding period.

ORIENT PAPER AND INDUSTRIES LIMITED: This Company has raised Rs. 130 million from the market to augment long term resources. The management had decided in January to raise Rs. 200 million by issuing Redeemable Preference Shares (RPS) of Rs.

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100 each on private placement basis. However, it was raised only Rs. 130 million as on the last day of March.