

Indian Paper Scenario – June 2003

Exports of printing and writing paper from India's major paper mills for the current fiscal were expected to go up. Industry sources expect the export of printing and writing paper to be in the region of 2,20,000 tons, a 30 per cent jump over the previous year's export of 1,70,000 tons. Export realisation for printing and writing paper was however expected to fall by \$ 20 per ton, from \$ 640 per ton to \$ 620 per ton. The industry is expecting to export close to 2,20,000 tons of printing and writing paper during the current fiscal. Some of the large mills in the country are already planning to increase the production of printing and writing paper to increase the export component of their turnover. Most major mills in the country are expected to achieve a 75 per cent capacity utilisation, which by industry estimates was good in terms of top line and bottom line indicators. On the domestic front, some sections of the paper industry expected price of newsprint to move upwards to \$ 450 to \$ 470 per ton from the present \$ 420 per ton. Firming up of the prices was expected to happen around July. Sources said that a price band of \$ 420 - \$ 430 per ton for newsprint is not enough to sustain the domestic manufacturers. Last year, there was excess supply and as demand picks up, the price of both imported and domestic newsprint ought to firm up. Industry sources expected increase in prices of newsprint to happen due to the general improvement in the health of the economy. One industry source said newspapers had cut size owing to the recession in the economy during the previous year. As the economy was showing signs of recovery, increasing ad spent by corporates was likely to be reflected in increased off-take of newsprint by newspapers. Export of printing, writing and paperboard would be mainly to west Asia and Gulf region. Sources said increase in exports was likely to be driven by demand from the educational sector. Overall the industry expected to post around 5 per cent growth. Total domestic demand was placed at 5.5 to 6 million ton per annum. Of this printing and writing paper would be to the tune of 2.5 million tons, 1 million tons for newsprint and the rest for speciality papers like duplex board etc.

Rama Newsprint Limited. (RNL), the largest newsprint manufacturing company in the country with an annual installed capacity of 1,50,000 tons, located near Surat in Gujarat, is up for sale. The lead bank for the company ICICI Ltd. – has already started the process of selecting a suitable buyer for RNL. Altogether, two large paper mills, namely, Ballarpur Industries Ltd. (BILT) and West Coast Paper Mills Ltd. (WCPML), and a leading publishing house, Gujarat Samachar, have expressed interest to acquire controlling equity stake in RNL in spite of the fact that the newsprint major is burdened with huge debt. Even though RNL is one of the most modern newsprint outfits in the country, it had to incur huge losses during the last few years following an adverse domestic newsprint market. The company was unable to compete with imported newsprint, which affected its capacity utilisation. Even so, the RNL management had the option of countering the crisis by making substantial investments to convert from manufacturing newsprint to writing and printing paper. Faced with this situation, the principal private promoter of the company thought it prudent to dispose of his entire equity to a prospective buyer selected by ICICI and other FIs. The sources said that both BILT and WCPML had plans to discontinue newsprint manufacture. Instead, they are likely to produce writing and printing paper from the mill, while the Gujarat Samachar group prefers to maintain newsprint production. The prospective buyers are common on one issue, namely, that which relates to restructuring of debt. In consultation with other FIs, ICICI is believed to considering the issue as a pre-requisite to attracting a new promoter.

Ballarpur Industries (BILT) has launched roll coated C1S (Coated one side) paper for the first time in the country. It has phased out its own production of the inferior quality knife coated C1S following this. By offering this superior paper at the same price, BILT is expecting to take its market share of C1S paper from 35 to 75 per cent within two years by replacing the market for knife coated with the roll coated variety. The new grade is being manufactured at the company's plant at Sewa in Orissa. The capital cost to set up a new machine for this purpose worked out to about Rs. 1100 million and was imported from Perlin, Switzerland. This paper is used for printing jobs like cinema posters, labels, calendars and packaging wrappers among other things. Of the total domestic market of 2,00,000 metric tonne per annum (mtpa) for coated paper, C1S accounts for a third of this market. Within C1S, air knife coated has been the preferred choice of price-conscious customers accounting for 80 per cent of all C1S sales. BILT almost completely dominates the market of 8,500 mtpa for blade coated C1S, the upper-end product in the category.

The Designated Authority in the Commerce Ministry has notified initiation of anti-dumping investigation into the import of coated paper including paper and paperboard of 80 GSM and above originating in or exported from Indonesia and the European Union (EU). In an initiation notification, the authority said that it had received a written petition from BILT Graphics Paper Ltd., Haryana, which accounts for 95 per cent of the domestic production for the goods. Ballarpur Industries Limited, Yamunanagar, and BILT Industrial Packaging Company Limited, Coimbatore, which accounts for 1.94 per cent and 2.11 per cent of the domestic production respectively, supported the petitioner. The product under anti-dumping probe is used for high quality printing jobs, including various magazines, publicity material, calendars, posters and books. The petitioner had furnished information on various parameters such as significant rate of increase of dumped imports from the subject countries, increase in market share of imports as a proportion to total demand, decrease in market share held by Indian producers, decrease in sales value and unit price, low return on investment, price undercutting and price suppression.

SESHASAYEE PAPER AND BOARDS LIMITED: This Company has reported a net profit of Rs. 168.8 million on income of Rs. 3394 million for the year ended March 31, 2003 against a net profit of Rs. 26.90 million on income of Rs. 2897.70 million for the previous year. It achieved a production of 1,13,684 tons last year against 1,01,812 tons the previous year. It sold 1,12,970 tons of paper and paperboards. The Company exported 24,346 tons of paper and paperboards. The export turnover during the year was Rs. 745.90 million.

TAMIL NADU PAPER MILLS LIMITED: This paper mill has decided to expand its plant at Pugalur at a cost of Rs. 7500 million. Towards this, they have earmarked Rs. 4000 million for producing paper without using chlorine and Rs. 3500 million for setting up another production unit.