

## Indian Paper Scenario – January 2004

Tamil Nadu Newsprint and Papers Limited, (TNPL) is expected to report good growth in Financial Year 2004 on the back of increased price of both printing and writing paper along with newsprint. The prices of Asian newsprint are expected to go up in the first quarter of calendar year 2004 by \$20 to 40 per tonne. The prices of the writing and printing paper too, is expected to go up. Being one of the largest newsprint makers in India, TNPL has a capacity of 2,30,000 TPA bagasse-based newsprint production, which the company wants to expand by another 1,00,000 tonne. With a good management, the company is among the lowest cost producers of paper in the world, which achieved 100 percent self-reliance as far as power requirements are concerned. TNPL has integrated production process to produce both newsprint and printing and writing paper with flexibility of production. In the paper industry, India has a production capacity of 5.26 million tonne per annum. Indian paper industry is highly fragmented with capacities of producers ranging from 3300 to 230000 TPA. TNPL has its presence in the Newsprint and Printing & Writing Paper segments. According to the primary raw material used, companies in the paper industry are categorised into wood-based, agro-residue based and waste paper based paper producer. For bagasse, the company has long-term agreement with Terra Energy Limited (TEL), a subsidiary of Thiru Arooran Sugars for procuring bagasse in exchange of steam, under which it can procure, 1,00,000 Mtrs of depithed bagasse from TEL . As far as the industry out-look is concerned, it is expected to be good. In India, where 16 percent of the world population resides only 1.2 percent of global paper and paperboard is consumed. The per capita consumption of India is 5 Kg as against the global average of 60 Kg. The capacity additions during 2003-04 are not expected in a big way. With the increase in exports and increase in consumption in the domestic market the additional production can be absorbed without difficulties. Thus, in the domestic market the outlook for printing and Writing paper is good. As far as demand for the Newsprint is concerned, it is expected to remain constant during the first half of the year but the prices are expected to go up by \$20 to 40 per tonne in the first half of the calendar year 2004. These global trends have greater impact on domestic prices, as the import duty on newsprint is just 5 percent while that on Printing and Writing Paper is currently 20 percent. In the future, TNPL will continue its focus on Printing and writing paper, where growth is happening due to growth in the overall economy. In addition to this, the prices too are expected to go up.

**J K PAPER LIMITED:** This company announced a 30 percent increase in net profit at Rs. 119.8 million on a sales turnover of Rs. 1693.9 million for the quarter ended December 2003. They had logged a net profit of Rs.91.9 million and sale of Rs. 1647.3 million in the corresponding period in the previous year. The Company's board approved the second quarter results. It produced 42, 333 tonnes of paper and sold 43, 630 tonnes in the quarter. The Company's capacity utilisation in the quarter stood at 112 per cent.

**SESHASAYEE PAPER AND BOARD LIMITED:** This company has reported a net profit of Rs. 44.4 million on gross sales of Rs. 975.3 million for the three months ended December 2003. During the corresponding year, it reported a gross sales of Rs. 952.6 million. The profit before interest, depreciation and tax was Rs. 127 million, interest was Rs. 30.2 million, depreciation Rs. 28.5 million and Current tax Rs. 53,00,000. For the nine months ended, the company reported a net profit of Rs. 139.4 million on gross sales of Rs. 3036.5 million. During the Corresponding period in the previous year, it reported a net profit of Rs. 98.6 million on gross sale of Rs. 2785.2 million. During the quarter, The company produced 29.009 tonnes of paper against 28100 tonnes in the

corresponding quarter previously. It exported 5, 166 tonnes. The sentiment in the paper market were subdued and movement was slow with prices under pressure due to competition.