

Indian Paper Scenario – June 2005

Paper prices are set to move northwards. For the third time this fiscal, paper majors including Ballarpur Industries and J K Paper decided to increase prices. This time, the hike is between Rs. 500 and Rs. 750 per tonne and the two companies have cited a steep hike in input costs and rising demand for paper as the major reasons. Ballarpur has decided to increase the prices of coated paper by Rs. 600 per tonne and uncoated paper by Rs. 750 per tonne from July. J K Paper has, meanwhile, announced a Rs. 500 per tonne hike. Domestic newsprint manufacturers feel that the current market situation is conducive for them to revise all types of newsprint prices during the July – September quarter. Although the quantum of increase has not yet been decided by individual manufacturers, industry sources indicate that this will be finalised at the next executive committee of the Indian Newsprint Manufacturers' Association (INMA) scheduled to be held in August 2005. Domestic manufacturers have revised prices three months ago in conformity with the price trend in the international market. As the market trend has remained buoyant and the landed cost of imported newsprint was considerably increased due to higher shipping freight rates, they have veered towards the idea of imposing another revision during the second quarter of the current fiscal. The sources indicate that the revision is expected between Rs. 500 and Rs. 1000 a tonne, subject to the tacit approval by INMA. They argue that the further price revision may not only be absorbed by the market, but average prices of domestic newsprint will also remain lower than the imported varieties. They say that the tight demand and supply situation of newsprint would continue till the capacity addition programmes initiated by some manufacturers are complete in two to three years. Assuming a 10 per cent growth rate in demand, they have projected the country's newsprint requirement for the year 2005-06 to touch 1.65 million tonnes against previous year demand of about 1.5 million tonnes. Domestic manufacturers may be able to supply a maximum of .85 million tonnes, leaving consumers to depend on the imported newsprint to the extent of about 8,00,000 tonnes.

The Indian Paper manufacturers Association (IPMA) has said that any move on the part of the Union Coal Ministry to take the paper industry out of the core sector for the purpose of allocation of coal linkages would have an adverse effect on domestic paper mills. The Association has urged the Union Coal Minister to refrain from approving such a proposal from Coal India Ltd. (CIL). Paper manufacturing plant had been encouraged by the Government to set up their own captive power plants, as adequate grid power was not available, and they had done so at huge investments. In recognition of the paper industry's contribution to the economy, the Union Government had categorised it as falling under the core sector for supply of coal from the government collieries, on a par with sectors such as power, defence, railways, fertiliser, steel, cement and aluminium. Despite all this, the collieries had resorted to cuts in allocation of coal. The Railways had relegated the paper industry into an oncore sector consumer. The records of CIL showed that the supply of coal to paper mills had been inadequate and rail movement erratic vis-a-vis coal allocation to paper units during 2003-04. The CIL had despatched only about 2 million tonnes of coal against a targeted despatch of 2.7 million tonnes to 58 consumers in the paper sector. Any move to take the paper industry out of the core sector would also force domestic paper mills to pay the market price for coal, which could be 15 to 20 per cent higher than the basic price at which CIL and its subsidiaries were currently selling to the paper industry.

Coimbatore will be the venue for an International Fair and Technical Conference on pulp and paper industry. The fair 'Indian Paper 2005' to be held between September 1-4 at

the Codissia Trade Fair Complex, will offer an exposition on global trend in pulp/paper making in terms of demand supply, technology and value-addition in production processes. The fair/conference is being organised by Sai Expocon India Pvt Limited., an event management group specialising in industrial products in association with the India Paper Industry and the Central Pulp and Paper Research Institute under the Ministry of Commerce and Industry. The conference would focus on environmental-friendly production process through the use of bio-technology highlighting the “cleaner production”. Coimbatore has been chosen the venue for the paper conference considering the concentration of small and medium paper manufacturers and scores of paper machinery manufacturers in and around the area who are gearing up for upgrading their production process.

SESHASAYEE PAPER AND BOARDS LIMITED: This Company has decided to set up a new pulp mill with enough capacity to meet its present requirement and any expansion it may consider later. The company is also getting into contract farming of pulp wood plantations, which would be a captive source of wood. According to company officials, the board has, in principle, approved the investment for the pulp mill but the details are being worked out. The new pulp mill, which will replace the existing one, will double the company’s pulping capacity to about 500 tonne a day, enough to handle even future expansion. The existing mill, which produces about 240 tonnes of pulp, meets about 75 per cent of its pulp requirement and the balance is met through imports. Its paper mill produces about 330 tonnes of paper a day. The company has reported a profit after tax (PAT) of Rs. 65.8 million on sales of Rs. 3542.9 million for the year ended March 2005. This is against a PAT of Rs. 196.6 million on sales of Rs. 3442 million last year.

WEST COAST PAPER MILLS LIMITED: This paper mill has recommended a dividend of Rs. 20 per share plus a special dividend of Rs. 5 in commemoration of the company’s golden jubilee year, thereby making a total dividend of 150 per cent for the year under review. The S K Bangur Group company has posted a turnover of Rs. 5310 million on a production of 1,73,000 tonnes against a turn over of about Rs. 4920 million and a production of 1,63,714 tonnes in the previous year. The gross profit declined by 7 per cent compared with last year due to steep increase in the cost of raw materials. However, net profit was higher at Rs. 306.6 million against Rs. 284.4 million due to lower provision of deferred tax.

YASH PAPERS LIMITED: This paper company is planning to set up a 70 TPD low grammage speciality grades poster paper unit. This would make the company largest player of the segment in the country. The company is also integrating its entire agro pulping facility by setting up a state – of- the art pulping and bleaching line for bagasse and straw fibres. This pulping line would include numerous equipment specially designed by the world-renowned agricultural fibre specialist. It would also be setting up its own 6 MW power plant, which would increase its captive power generation to a total of 8.5 MW. The project encompasses setting up of a chemical recovery unit enabling it to recover 88 per cent of the NaOH used in the pulping, thus reducing pollution load significantly. The project has been supported by the State Government which is enabling the company to acquire land for the project. This 850 million project is being part financed through a public offering.