

Indian Paper Scenario – July 2006

Asia Pulp & Paper and April, the Indonesia paper producers are accelerating the deforestation of Sumatra's jungles in spite of a bid to portray themselves as green, according to WWF, the conservation group. The two companies, long scorned by green groups, have been working for years to put out a more environmentally friendly message. Their efforts have been driven by growing sensitivity to green issues among customers in markets such as Europe, Japan and the US. But in a report, WWF researchers say, deforestation in the Sumatran province of Riau, where the groups have pulp mills, has accelerated in recent years, in spite of conservation pledges from APP and April. The reports raise questions over whether either company can meet their promises to rely wholly on plantation wood for their Sumatran mills by the end of this decade. According to WWF, more than 2,00,000 hectares of natural forest, an area 35 times the size of Manhattan, were lost in the province of Riau last year, up from 73,000 hectares in 2002, at a time when APP and April were facing financial difficulties. Pulp makers have again begun pulping forest at a rate equal to the peak of the boom that preceded APP's 2001 default on \$14 billion in debt. According to WWF, APP pulped about 80,000 hectares of natural forest last year while April pulped 90,000. APP and April have pledged to rely on acacia plantations to supply fibre for their mills in Sumatra. But WWF said the best available estimates for 2004 and 2005 showed that the companies still relied on natural forest for 70 per cent of their wood supply. APP said it could not immediately comment on the report. April's president and chief operating officer said it had been increasing the amount of plantation wood it used steadily. Paper prices are headed for an increase again with leading manufactures Bilt and J K Paper revising prices upwards owing to rise in input costs and firm demand in the market. Already in the beginning of this month we have increased prices of coated paper by Rs. 1000 to Rs. 1500 per tonne and now we are looking at revising the prices of uncoated paper as well.

Mysore Paper Mills has an installed capacity of 30,000 tonnes per annum for production of writing and printing paper, 75,000 tonnes per annum for production of Newsprint and Sugar Mill with a capacity for crushing of sugarcane of 2,500 TCD. Eighty five per cent of the power requirements are met through captive power generation. We sell about 15 to 20 million units of power to Karnataka Electricity Board during the cane crushing season. The Company has fully developed the captive forestry, which at present meets about 75 per cent of the pulp wood (1,2,000 MT) requirements of the company. In a situation of scarce availability of raw-material in the country, the pulp-wood from the captive sources will be sufficient for the Company from FY 2008 onwards. The Company in addition, has also developed forestry in 330 acres of land, in association with M/s BIML at its plants at Kolar and Mysore. The average turnover of the Company is about Rs. 3250 million per annum of which 65 per cent is from Newsprint, 20 per cent from Writing & Printing Paper and 15 per cent from Sugar. During the year 2005-06 our operating profit was Rs. 375 million with cash profit stood at Rs. 125 million. During 2006-07 they have programmed to have an operating profit of 530 million cash profit of nearly Rs. 280 million. Over the last 4 months they have demonstrated that their mill can run at much higher speed and hence we have set a target to produce 31,000 tonnes of WPP per annum in the current year, 90,000 tonnes of NP Per annum and crush 5,50,000 tonne of sugarcane leading to 33 per cent increase in their turnover for FY06-07. This will take our turnover to Rs. 1500 million.

BALLARPUR INDUSTRIES LIMITED: This Company is planning to increase the production capacity to one million ton by 2008. This entails an investment of up to Rs. 12000 million and will place Bilt several notches higher in the industry packing order – among the top 50 paper companies in the world and top 10 in Asia – two years from now. This expansion entails adding 2,50,000 tonne of fresh capacity in domestic operations, merger of group company APR Packaging's 35,000 tonnes into Bilt and an additional 1,4,000 tonnes per year that accrues from Sabah Bhd (Which Bilt acquired recently). It has posted a 67.72% growth in net profit for the fourth quarter ended June at Rs. 678.8 million compared to Rs. 404.7 million a year ago. The total income was up 3.71% to Rs. 5760.6 million.

J K PAPER LIMITED: This paper company has reported a 23 per cent increase in domestic sales for the year ended June 2006. Sales of paper and pulp were about 1,97,000 tonnes for the year ended June 2006. The year saw robust domestic demand for the company's products and higher realisations, resulting in an increase in domestic sales by about 23 per cent over the previous fiscal. The company's flagship brand "JK Copier" grew 17 per cent year on year in the local market. The share of value added products, which includes branded copier papers and coated papers, increased by 60 per cent in volume terms from only about 33 per cent 4 year ago. The company had announced a price increase in its coated varieties of Rs. 1000 per tonne from July. Its high end packaging board project is well on schedule with the finances having been fully tied-up with investors like IFC and Goldman Sachs and said it anticipated production to start in the first quarter of calendar year 2007.

ORIENT PAPER & INDUSTRIES LIMITED: This Company has posted growth in turnover and profit during the first quarter ended June. The turnover grew 30 per cent to Rs. 2990 million (Rs. 2380 million) Profit before tax was up at Rs. 390 million (Rs. 44 million) while net profit grew 10 times to Rs. 257.1 million.

TAMIL NADU NEWSPRINT AND PAPERS LIMITED: This Company has reported a profit after tax of Rs. 188.1 million on net sales turnover of Rs. 1793.2 million for the first quarter ended June 2006. During the corresponding period in the previous year the company reported a net profit of Rs. 131.4 million on net sales of Rs. 1727.9 million. It has raised pulpwood plantation on 10,000 acres through farm forestry and captive plantation programmes. The Rs. 5650 million mill development plans, which envisages expansion of in-house pulping capacity to 800 tonnes a day from the present 520 tonnes through the elemental chlorine free process, will be completed by June 2007. The production capacity will go up to 2,3,000 tonnes a year from 2,45,000 tonnes.