

Indian Paper Scenario – February 2007

Domestic paper manufacturers have hiked prices of coated and uncoated paper by Rs.350-500 a tonne, effective February 2007. This is the fifth price hike by paper companies in the current financial year. BILT has hiked prices of uncoated paper by Rs. 350 a tonne. There is pressure from rising raw material prices and so the hike will rationalise the market prices. After revision, Bilt's uncoated paper will sell for Rs.37250 a tonne. In the current financial year, Bilt has already increased its paper prices four times. In July, coated paper prices were increased by Rs.1000 a tonne, while those of uncoated paper were raised by Rs.600 a tonne in September. In November, prices were hiked by Rs.500 a tonne across all categories and in December, prices were raised by 2 per cent across the board. The price hikes are reflected in the company's bottom line that is appreciating. More than 50 per cent of the price rise will add to the company's bottom line. Bilt's net profit for the October –December quarter shows a 31.1 per cent year –on-year increase from Rs.474 million in FY06 to Rs. 621.5 million in FY07. JK paper has also increased coated paper prices by Rs.500 a tonne. With this hike, JK coated paper will sell for Rs. 38300 – 39000 a tonne. The company has also hiked prices four times in the current financial year. JK Paper's results for the December 2006 quarter show a 28.48 per cent rise in its bottom line to Rs.121.8 million from Rs.94.8 million in the December 2005 quarter

The paper industry may soon find a solution to the raw material shortage which is hindering large scale expansion programmes. Over this the industry has proposed a multi stake holder partnership (MSP) which entails a tripartite association between the landowner, land user and the promoter (paper producer) The ministry of environment and forests has cleared the proposal which is awaiting for the nod from the Prime Minister's Office (PMO) and the Union Cabinet. According to the policy the land holding size will be in the range of 550 hectares and will be given on lease for 30 years through a competitive bidding process. The revenue from the crop will be shared between the stake holders. The proposal, if materialised will be a forerunner to large captive plantations which the industry has been asking for. The industry has sought 1 – 1.5 million hectares of degraded land near paper mills. Apart from improving the country's forest cover, it will also bring employment in rural areas. Domestic paper producers are faced with rising input costs as bamboo and pulp prices are increasing regularly. The government so far has not accepted industry's proposal for captive plantations. This has forced major producers such as Bilt, country's biggest paper producer, to venture out in search of raw material. International pulp prices have jumped by about 87 per cent last year from \$560 a tonne to \$600 now. driving companies to hike paper prices by an average of Rs. 2000 a tonne.

The Customs duty on paper imports may be trimmed to 10 per cent from the current 12.5 per cent in the coming Budget. In the last budget, the duty was reduced from 15 to 12.5 per cent. There is a proposal to bring down the duty on paper (excluding newsprint) imports to 10 per cent. This will be a first step in the movement towards Association of South East Nations (Asean) level of duties. At 5 per cent duty on newsprint is already low. Paper prices have been up by 8-10 per cent over the last one year in the domestic market.

ITC LIMITED: This company announced they had plans to invest Rs.25000 million by 2009 to make more writing and printing paper and up capacity by more than five times to 2,00,000 tonnes as it races to meet a shortfall of paper in India. ITC, the makers of Wills

Cigarettes, also makes a quarter of all the packaging and speciality paper sold in India. The company has been setting up plantations and employing farmers to tend trees such as Eucalyptus that generate the pulp for the paper. While they pay the farmers for the crop cultivation, they also allow them to use the land to plant other food crops

ORIENT PAPER MILLS LIMITED: This paper mill's net profit in the quarter ended December 2006 was Rs. 365.5 million against Rs.56.8 million in the corresponding quarter of the previous fiscal. The company's turnover in the reporting quarter was Rs. 2700 million compared with Rs. 2060 million a year ago. The company's net profit in the nine months ended December 2006 was Rs.826.9 million against rs.115 million in the year ago period. Its earnings per share were Rs. 54.52 in the nine month period.

SHREYANS INDUSTRIES LIMITED: The company that manufactures writing and printing papers has recorded a 62 per cent increase in its net profit for the nine-month period ending December 2006. It recorded a net profit of Rs.72.8 million. The company would set up a 3.5 megawatt power co-generation plant at Ahmedgarh

SIRPUR PAPER MILLS LIMITED: This pulp and paper manufacturing company has decided to raise Rs.4000 million through borrowings. The members of the company have authorised its board to borrow from banks, financial institutions, firms and individuals, create mortgage on properties to raise the sum as and when needed. The money will be utilised for the purpose of the business of the company.

WEST COAST PAPER MILLS LIMITED: This paper mill has reported a net profit of Rs. 160million on net sales of Rs. 1348.4 million for the quarter to December 2006 against a net sales of Rs. 1338.1 million for same period in the previous year. The company attributed the 54% rise in profit to higher sale prices and cost savings derived by the commissioning of its own 15.5 mw power unit. The earning per share for the quarter was Rs .18.19 (annualised Rs.72.76) against Rs.11.82 in the corresponding quarter of the previous year (annualised Rs. 47.28),. It is expanding its capacity from 1,63,750 tonne per annum to 3,20,000 tpa with an investment of Rs.11000 million to be financed with a loan (Rs.7250 million), internal accruals (Rs. 1750 million) and equity infusion (Rs.2000 million).