

## Indian Paper Scenario – March 2007

The Indian paper industry is moving towards a high growth trajectory and is positioned to face the challenges that lie ahead of global integration by stepping up production capacities, upgrading plant and equipments, migrating to higher levels of integrated process control and updating of instruments. The growth and development of the paper industry depend largely on the Indian economy that is passing through a buoyant phase and is expected to remain so for quite some time. It is most likely that the domestic paper industry will grow at a stable rate by nearly 6 per cent over the next two years. The growth in end-user industries serves as the growth driver in the paper industry. With the sustainable growth of the paper industry, most industrial players are viewing huge expansion plans. The annual consumption of paper in the Indian paper industry is around 6.5 kg. Sources have informed that HPC is embarking upon a major green field project of Rs.25000 million in Uttar Pradesh. It is also contemplating to implement Rs.5520 million schemes for the revival of Nagaland Paper and Pulp Company Limited by doubling the installed capacity and modernizing the plant and equipments. The Rs 6600 million Modernization and Technological Upgradation Plan (MTUP) including Cachar Paper Mill, Nagaon Paper Mill and 30 per cent capacity expansion at Nagaon Paper Mill has kicked off. HNL has launched Expansion and Diversification Project (EDP) at Newsprint Nagar in Kerala. The paper making organization has implemented Farm Forestry Scheme in association with voluntary organizations and farmers in the north-eastern region in order to reduce the dependence on bamboo cultivated on government-owned forests.

Domestic paper mills producing cultural varieties of paper (writing and printing) are confident that they will stand to gain with the enhancement of budgetary allocation for the education sector and the higher provision of funds for the Sarva Shiksha Abhiyan programme. They feel that the buying support for writing and printing paper will increase from student communities and also from various educational institutions and textbook publishers following the increased fund allocation. The Union Finance Minister in his Budget for the year 2007-08 has proposed to enhance allocation for the education sector by 34.2 per cent to Rs.323520 million, and the allocation for school education by 34 per cent from Rs.171330 million in 2006-07 to Rs. 231420 million. Out of the funds allocated to school education about Rs.106710 million will be provided for Sarva Shiksha Abhiyan. The President of the Indian Newsprint Manufacturers Association and a Senior Executive Committee member of the Indian Paper Manufacturers Association (PMA) said that the Higher allocation would definitely push up the demand for writing and printing paper in the coming months. Though this development was quite encouraging for paper mills, the lowering of peak customs duty from 12.5 per cent to 10 per cent coupled with the unchanged excise duty structure might have a dampening effect on the financial viability to many large and medium paper mills. It was apprehended the landed cost of imported coated and packaging papers might now be cheaper as compared to the same varieties of domestic paper. This might force domestic manufacturers to reduce prices of speciality papers to retain their share both in the domestic and international markets. The Chairman of the State-owned HPC said that the paper industry had expectations that Finance Minister would consider excise duty reduction on paper and paper products in order to neutralise at least a portion of the financial burden estimated due to the increased cost of fuels and higher costs of almost all raw materials. Large and medium paper mills would be forced to revise prices of paper and paper products by Rs.500 to Rs.1000 a tonne. Although prices of paper and

paper products were revised a couple of times, further revision might be absorbed by the market because of a consistent gap between demand and supply.

**EMAMI PAPERS LIMITED:** The Kolkata based Emami Group has earmarked an investment of around Rs. 28000 million in the next three years for diversification and expansion of its businesses. The group has also decided to make its foray into the production of cement and bio diesel, besides, expansion of its existing paper, hospital and health care and pharmacies. The entire investment will be funded by a mix of internal accruals, equity capital and term loans from financial institutions. The Emami will invest Rs. 16000 million for setting up a four million tonne cement plant in Chattishgarh. The investment plans also include 100 MW captive power plant adjacent to the cement plant. In the bio diesel segment, the group is setting up a bio diesel plant at Haldia in West Bengal at a cost of Rs.1500 million. Mr. Aditya Agarwal, Director, Emami Group of Companies said our bio diesel plant will become operational from October – November 2007. We have already engaged farmers on contract farming for jatropa cultivation. Emami may also take up both an organic and inorganic growth plan for expanding its paper business in near future. We have embarked on a Rs.3500 million expansion plan at our Balasore plant. Plans are also a foot to invest Rs.5000 million for capacity expansion at our plant in West Bengal. We are also open to acquisition and talks are in progress with some companies. The Rs.15000 million group is expecting a strong growth in the hospital and health care segment in near future, anticipating the future growth potential in this area. Emami is setting up a 300 bed hospital at a cost of Rs.1200 million in Kolkata. We have also decided to expand our pharmacy retail chain across the country. The group will invest Rs.1000 million to increase the number of pharmacy shops to 100 from the existing 12 in the next three years.

**RAINBOW PAPERS LIMITED:** The company based in Gujarat, has come up with an excellent performance for yet another quarter with growth of 27% in turnover and of 111% in PBT for the nine months ending 31<sup>st</sup> December 2006, as compared to the corresponding last year's figure. The company engaged in manufacture of varieties of paper consisting of duplex, grey back, manila board, colour file board, crepe paper is now in the process of introducing printing and writing paper and newsprint. In the recent past, the company's performance has been improving significantly and from a turnover of Rs. 1430 million in the Financial Year 2005-06, it has already achieved a turnover of Rs. 1300 million for the nine month ending 31<sup>st</sup> December 2006 and is riding towards an annual turnover of Rs.1800 million for the financial year 2006-07. It has continuously been improving its margin by improving capacity utilization and effective control. The plants are also strategically situated for efficient Export and Import operations as well as to meet the domestic demand. The company is going through aggressive growth plans with a total capital outlay of Rs.1020 million . With further capacity expansion and production of value added items it is expected that the company's competitive power and margins will go on improving in the future.

**SREE SAKTHI PAPER MILLS LIMITED:** This Kochi based company has commissioned its third paper plant at Edayar Developemnt Area for the production of all grades of industrial grade kraft paper. The new plant is equipped with the latest multi-wire technology and the machine has an installed capacity of 140 tonnes per day. By adding the new plant, the total capacity is estimated to be over 1,00,000 tonnes per annum with a turnover of Rs. 1500 million. With the new expansion, this mill has emerged as the largest player in South India, manufacturing industrial variety papers vis-a- vis kraft paper and duplex board. The new trend in the industry is to make boxes with high burst

factor RCT (ring crush test), grammage to ensure high compression test values for the boxes. All the MNCs are switching over to these specifications and the new plant is expected to cater to this emerging trend in the market.