

Indian Paper Scenario – May 2007

Prices of uncoated paper, which have been rising since the last couple of months, are set for a further hike in June, owing to rising demand from notebook manufacturers and surging global prices. According to leading paper dealers, bullish prices in the international market provide ample room for domestic paper manufacturers to raise prices. Ballarpur Mills raised the price of the Meplitho variety in April by Rs. 750 a tonne and in May again by Rs.600 a tonne. The company is set to raise the price by Rs.1000 a tonne in June. The current price of the Meplitho paper is Rs 49 a kg. Coated paper is generally higher, but increasing prices of uncoated paper have reduced the gap between the prices of the two varieties. Prices of coated paper are falling due to huge and cheap imports from China. An appreciating rupee has also led to imported paper prices coming down. The average price of coated paper is Rs.53 a kg and the price difference between coated and uncoated varieties, which was Rs.7, has declined to Rs.4. Dealers expects the coated paper makers to further reduce prices in the coming months.

The All-India Federation of Master Printers (AIFMP) has urged the centre to do away with import duty on paper to curb black-marketing and bring down rising prices of paper. Expressing concern over the sharp rise in paper prices witnessed in recent months that was affecting the printing industry, AIFMP said that import duty exemption on printing paper would help neutralise the sharp rise in paper prices. Accusing the mill owners of arbitrarily raising paper prices., they said that the Government charged no duty on the import of printed materials, while the duty on paper stood at just over 29 per cent, which was unjustified. Asking the Government to maintain a buffer stock of 10,000 tonnes of printing paper as was done a few years back, they also said that the Government should extend the credit -linked capital subsidy scheme for technology upgradation of small, scale industries, during the XI plan so that the printing industry could benefit from it. The Federation also demanded curb on export of paper as long as a supply –demand gap existed.

Increasing paper prices have made school stationery costlier during this academic year. Prices of notebooks, long books and other school stationery are at least 5% higher on an average. Notebook manufacturers attribute the price rise to surging paper prices and shortage of quality paper required to manufacture notebooks and school stationery. Demand for quality school stationery was on the rise. However manufacturers were focusing more on paper for copiers, which gives them better returns. The Rs.80000 million school stationery market growing at 15 per cent a year, is largely unorganised. Besides, there are no national brands in the school stationery sector. The industry has three listed manufacturing companies – ITC Navneet, Prakashan and Sundaram MultiPap. Explaining the market dynamism, sources informed that this is a thin margin labour-oriented business and the brands have grown regionally. It is difficult for new entrants to grow despite the government making higher allocation for education.

International finance Corporation has lent \$40 million to West Coast Paper, India's third largest paper maker, notching up yet another investment for the World Bank arm in India's paper sector. IFC has invested in nearly most of India's large paper companies, including Ballarpur Industries, J K Paper and A P Paper as the Asian region are witnessing increased consumption of the commodity. Demand from India alone is pegged at more than 7% to 8% annually; paper usage grows by about 4% in the developed markets of Europe and North America. Senior officials in the S K Bangur owned West Coast Paper said although IFC was keen on buying an equity stake in the

company, the promoters wanted to retain their shareholding, which is currently pegged at about 55%. Retail holding is pegged at 28.6%, about 12% is owned by corporate bodies and about 4% by banks and financial institutions. However, the group is exploring options of marginally diluting its stake later as it intends to raise Rs. 3750 million as the equity component of an Rs.1000 million capacity expansion programme. West coast confirmed that IFC had invested \$40 million and said the company has also raise \$125 million through external commercial borrowing.

ORIENT PAPER MILLS LIMITED: This company has recorded 5.07 per cent increase in net profit to Rs.1306.8 million for the year ended March 2007.Net sales recorded a 29 per cent growth to Rs. 20970 million. While the favourable market conditions helped, a substantial part of the improved performance was achieved through higher productivity and cost efficiencies. The company is on an accelerated growth path and would emerge even stronger on completion of the expansion products already in progress.

SUNDARAM PAPER MILLS LIMITED: This paper mill has reported 22 per cent increase in net sales at Rs. 847 million in the financial year ended March 2007 from 693.3 million in the same period last year. The net profit jumped 32 per cent of Rs. 44.4 million from Rs.33.7 million. During the period under review export revenue of the company went up to Rs. 255.0 million compared with Rs.180 million in the previous year. During the fourth quarter, net sales of the company went up 19 per cent to 225.7 million compared with Rs.198.5 million last year.