

Indian Paper Scenario – February 2008

The paper industry is perceived as one of the most environment damaging industries. In fact environmentalists call it environmental intensive, using large amount of wood and bamboo as raw material and releasing huge amounts of waste water into rivers. The paper industry has adopted a system of social forestry that not just fulfils its needs but helps save the environment. Under the system, the industry provides seedlings, fast breeding clones, fertilisers and extension services to marginal farmers to enable them to derive economic benefit out of their degraded land. Farmers have the responsibility of protecting trees that are harvested upon maturity and sold at the market price to paper mills. Regarding, the contentious issue of hazardous waste AOX being released in wastewater, the content that used to be three kg/tonne has now come down one kg/tonne, since the clearance and disposal of bamboo clumps is a necessity and commonly adopted as a silviculture practice. The industry has taken upon itself a voluntary code of conduct on pollution control. It has invested over Rs. 30000 million to assimilate cleaner technologies in adherence to corporate responsibility for environment protection. IPMA members are actively promoting social-forestry with marginal farmers to meet imminent raw material needs in a sustainable manner. This not only has a positive impact on the greening India mission of the government but also aids rural developments as manufacturing facilities are mostly located in remote areas of the country. The industry can help the government in increasing forest cover. India has a forest cover of 77 million hectares and degraded land of about 28 million hectares. The new environment policy of the government has set a target of achieving 33 per cent green cover over the geographical area of India by 2012. To cover 33 per cent means bringing 34 million hectares under plantation. The investment required to afforest this land is nearly Rs.60,000 million which is quite high. The industry believes it can be achieved through PPP. Envisaged as a tripartite agreement between the local community, state forest departments and private investor, the model could help provide a green cover over 28 million hectares of degraded land in India.

Finland's index provider FOEX said its index price for bleached hardwood kraft pulp was up \$11.23 per tonne less than two weeks into the price increase. Hardwood pulp is in tight supply, but softwood supplies are more, balanced with demand. But some market pulp supplies may be about to be freed up with Fraser Papers Inc announcing it was closing two free sheet paper machines at Gorham, N.H., in April.. The closure is for an indefinite period of time. Supplies are tight, the US Dollar is weak and wood, energy and freight costs still are high. The rally will likely continue into 2008. For the year, the market pulp demand is likely to be flat in 2008 compared with 2007. This will lead to a market that is driven as much or more by supply shifts and distribution problems such as ocean freight. FOEX this week reported its US price index for Northern Bleached Softwood Kraft pulp at a steady \$880 per tonne, unchanged from last month. The index quote is up \$15.29 for the year. FOEX this week also reported its index for European NBSK pulp prices was unchanged from a week earlier at \$880.00. The index quote is up \$8.84 for the year. Pulpandpaper.net reported NBSK as of February 1 in North America at \$860-880 a tonne, unchanged from a month earlier. In Europe, pulpandpaper.net's price as of January was \$870-880 a tonne, \$20-\$30 higher than a month earlier.

J K PAPER LIMITED: This company's net profit declined to Rs. 79.3 million for the second quarter ended December against Rs. 121.8 million in the corresponding period last year. The gross sales stood at Rs. 2551.1 million against Rs. 2457.1 million registering an increase of 3.7 per cent on the performance. The market for copier and

office papers remains buoyant. However, prices and consequently margins of coated paper continue to face pressure due to steep appreciation of rupee against dollar and cheaper imports. Of late, however, there has been some increase in international coated paper prices on the packaging board front.

TAMIL NADU NEWSPRINT AND PAEPRS LIMITED: This company is planning to undertake an Rs.7250 million mill expansion plan by May'08. Its expansion plan will take the paper production capacity to 4,00,000 tonnes (lt) a year from 2.45 lt. This expansion will be in place by march 2010. The company plans to borrow over Rs. 5000 million the details of which will be finalised in the next few months and generate the rest from internal accruals. With the market buoyant and the company consistently reporting a profit, it plans to plough back its surplus into the expansion programme. The company is now in the final stages of completing a mill development plan launched in 2005 at a cost of Rs. 5250 million. This programme will result in the in house pulp capacity going up to 800 tonnes a day from the present 500 tonnes. Paper production capacity would increase to 2.45 lt a year from 230 lt now. Captive power generation capacity would go up to 81.12 MW from 61.12 mw. The benefits of these expansions would start accruing from the first quarter of the next financial year.

WEST COAST PAPER MILLS LIMITED: This paper mill has posted a 36 per cent jump in net profit to Rs 220 million during the quarter ended December 2007. The income from operations for the quarter stood at Rs. 1443.9 million. For the nine months ended December 2007, total income was Rs.4316.3 million. Net profit was up 24.49 per cent at Rs.636.8 million. The results for the nine months period ended has improved on account of revision of sale prices, lower power and fuel costs on commissioning for company boiler.