

Indian Paper Scenario – June 2008

Domestic newsprint producers have raised prices by 11-12 per cent for the July-September quarter to pass on the rising cost of inputs such as coal, waste paper and pulp to consumers. Newsprint prices (of the 45 gm per square metre or SM variety) went up to Rs.38000 -40000 a tonne from Rs 34000 – Rs 36000 in the last quarter. The cost of imported newsprint has also been rising steadily owing to rupee depreciation, despite a cut in customs duty from 5 per cent to 3 per cent in April. Imported newsprint is now available at around Rs.41000 a tonne. Even as most publishers are feeling the heat of the rising newsprint costs, some are trying to optimise their revenues from advertisements to cover up the cost-push.. India's current newsprint consumption is estimated at 2 million tonnes and is expected to grow by 20 per cent to 2.4 million tonnes in another year. New publications and increase in editions and pages of existing publications are boosting demand. The country meets about half of its newsprint consumption through imports.

Tamil Nadu Newsprint plans to tie up with other paper mills to get the surplus pulp converted to paper. According to sources, the company, which has expanded its in house pulp production to 720 tonnes a day from 500 tonnes, is examining various options to utilise the 100-120 tonnes a day of surplus pulp. TNPL will need the expanded pulp capacity once it expands its paper production capacity. It has started work on this Rs 7650 million expansion, to add 1,55,000 tonne a year of paper production through a third paper machine. It now produces about 2,45,000 tonnes of paper a year. The expansion is likely to be completed in mid -2010. Meanwhile, the company can either sell the surplus pulp in the market or tie up with other paper mills to get the pulp converted to paper. TNPL is weighting the costs and benefits of both options. At current market prices the revenue from the sale of surplus pulp alone could work out to about Rs.90 – 100 million a month, and the revenues would grow higher with conversion to value added paper, the sources said. The company recently completed a Rs. 5650 million pulp mill expansion with the establishment of a 800 tonne a day modern pulp mill, which follows the elemental chlorine free production process. TNPL is the largest producer of baggasse-based pulp for paper production. It uses a combination of bagasse, the fibre material from sugar cane used in sugar mills, and wood pulp. It has called for expression of interest from paper mills in the southern and western regions, with a production capacity of at least 50 tonnes a day of 47-80 gsm grades of paper. The prices of raw material for paper, pulp, have been continuously on the increase over the last one year. Prices are now at about \$750 a tonne (Rs 31500) in the international market, up by about \$100 since April 2007, and the prices are expected to harden further. TNPLs Rs.10 shares closed on the NSE today at Rs. 98.50, down 2.8 per cent from closing price of Rs.101.35

After receiving a lukewarm response for its bids last year, TNPL for the second time, has invited bids from property developers to lease its land in suburban Ambattur to set up an IT park. TNPL owns 3.5 acres land in Ambattur, an industrial area on the western outskirts of Chennai, which it plans to give on a 25 year lease to those interested in setting up an IT park. The potential built up areas in the plot is estimated at about 3,350,000 – 4,50,000 sqft. The company has invited bids from property developers construction companies and IT companies to lease the land and to develop it on a Build-Lease-Operate Transfer (BLOT) or Build-Own-Operate-Transfer (BOOT) basis. The land lease payment could be on an upfront or yearly lease basis. At the end of the lease period, the property along with the development and rental rights revert to TNPL. Those

eligible to participate in the bid are developers and builders or a consortium with a net worth of Rs.2000 million and experience in an IT building project of over 3,00,000 sq ft in the last three years. IT companies should have a turnover of Rs.5000 million in the last fiscal and been in business for at least three years.

New Delhi has taken serious note of the issue of inadequate supply of raw materials to the Cachar Paper Mill at Panchgram, which has led to a complete stand still in functioning. This mill, the only potential industry in the Barak Valley has been providing livelihood to thousands of people both directly and indirectly. The Ministry of Heavy Industry has discussed the issue with representatives of the concerned parties, including the NC Hills Autonomous Council. The Union Minister of Heavy Industry has requested the NC Hills Autonomous Council to look into the matter of raw material supply to ensure continuous flow of green bamboo. The Kagaj Kal Bachao Committee (KKBC), a conglomerate of as many as 15 organisations has informed that the production in the Cachar Paper Mill, a unit of the Hindustan Paper Corporation Ltd. (HPC) has been stalled since June due to lack of the required green bamboo. In protest against the unconcerned attitude of the government, the KKBC had blocked the National Highway in June demanding immediate corrective measure to bring the mill back to its previous status. The KKBC has been demanding necessary steps to make the sick mill profitable removal of alleged political interference into the mills affairs and disciplinary action against the contractors who failed to supply the bamboo as per the contract. However the NC hills autonomous council on being contacted said that the prevailing circumstances had prevented the council to concentrate on matters like supply of bamboo in the mill.

BALLARPUR INDUSTRIES LIMITED: This, India's biggest paper maker, plans to invest about \$1 billion in overseas acquisitions and expanding plants at home to quadruple capacity in five years. The company and its units, part of billionaire Gautam Thapar's Avantha Group, will double capacity to 1 million tonne next year and increase to 2 million tonne by 2013. The expansion will be funded by loans and share sales.

SESHASAYEE PAPER AND BOARDS LIMITED: This company expects to commission the expanded pulp mill capacity by the month end. Following this, the company will start work on expanding its paper production capacity with an additional investment of Rs.3000 million. The Rs. 3500 million pulp mill expansion involves increasing its in-house pulp production capacity to about 440 tonnes a day from 240 tonnes. Trials are on and the expanded capacity will be commissioned by the month end. The company now has a 150 tonne a day wood pulp mill and a 90 tonne a day bagasse pulp mill, and is replacing the wood pulp plant with a 350 tonne modern mill. The new unit will be elemental chlorine-free This means it can now start work on expanding its paper production capacity. It plans to set up an additional paper machine with a capacity of 80,000 – 100000 tonnes a year