

Indian Paper Scenario – July 2008

At a time when large sections of the print media are reeling under the combined impact of high newsprint price and the costs associated with rapid expansion into new languages and new cities, Deccan Chronicle Holdings' results come as a breath of fresh air. Andhra Pradesh's largest English daily has just posted a 52 percent growth in net revenues for 2007-08 and a net profits growth of just under 84 percent. To be sure, this will come down this year since Deccan chronicle has just launched four editions of a new business daily (Financial Chronicle) and a Bangalore edition of the parent paper. But a 52 percent hike in sales is large by any reckoning. What makes the performance appear all the more remarkable is that all this has taken place while the company has cleaned up its balance sheet considerably. In 2007-08, Deccan Chronicle decided to securitise Rs 2000 million worth of receivables for a one time discount of Rs 250 million which has reportedly brought down its net days of debtors to an average of 90 as compared to a whopping 260 days in the previous year. As compared to Deccan Chronicle, HT Media, publisher of Hindustan Times, a dominant player in the capital, with eight editions in the north, has declared a profit of just Rs 1010 million on a turnover of Rs 1,2030 million – that's a profit which is a third Deccan Chronicle's on a turnover that's a third more. HT Media has incurred losses on new media initiatives including radio, internet and Metro Now, its tabloid for the Delhi market (in a JV with the Times of India group) and about Rs 390 million on account of its business paper Mint. Apart from Hindustan Times and Mint, HT Media publishes Hindi daily Hindustan. Jagran Prakashan, which publishes 2.7 million copies and 37 editions of Dainik Jagaran, however, has done better and reported a 25 percent growth in revenue – this has meant operating margins are up by nearly two percent, to 22 percent despite expenses on the launch of five editions and start up losses on outdoor and events business.

Gujarati daily Sandesh has seen profits nearly double on the back of strong local advertising according to Falgunbhai Patel, its promoter. Patel avers that while national advertising may dip a bit as the economy slows, and the political uncertainty at the centre remains, local advertising continues to grow as small-town India comes into its own. Mid-Day Publications, whose flagship Mid Day has a circulation of 200,000 copies in Mumbai as compared to the Times of India's 500,000 in Mumbai (the former claims it has a much higher readership per printed copy though) has seen net profits fall around a tenth. Deccan Chronicle's stock price, currently at Rs 106, has fallen by around 51 percent since January. Part, of course, is explained by the fall in the sensex, by over 34 percent over the same period. Indeed, most listed media stock (see table) have fallen by between 50 and 60 percent since the beginning of the year. Part of Deccan Chronicle's stock collapse could also be explained by the fact that, as Nikhil Vora who tracks media companies at brokerage firm IDFC SSKI, puts it, the receivables are still much higher than the industry average of 55-60 days. DCH Managing Director PK Lyer did not respond to Business Standard's queries. Newsprint prices are the other problem area. Newsprint prices are on the boil and expected to cross \$ 1,000 a tonne- between this and the exchange rate, this is expected to hike newsprint costs by around a tenth.

The Chief minister of Assam has assured the representatives of the Cachar Paper Project Workers & Employees' Union (CPPWEU) and the Cachar Paper Mill Officers & Supervisors Association (CPMOSA) that he would initiate concrete measures to bail the Cachar Paper Mills (CPM) out of the problems it is currently facing. The representatives of CPPWEU and CPMOSA further informed that the CPM, which started its operation on June 25, is incurring a loss of Rs 20 lakh a day as it is running at half of its capacity. The

Chief Minister held a meeting the representatives of both the union and the association of the mill over the dismal condition of the Cachar Paper Mill today where he was apprised of the problems being faced by the Mill Members of the union and the association of the CPM informed Gogoi about the shortage of bamboo, which is used as raw materials. The members also submitted a memorandum to the Chief Minister, wherein it highlighted the status of procurement of bamboo from different sources of NC Hills, Mizoram, Barak Valley, Tripura, Manipur, Meghalaya among others.

Tamil Nadu Newsprint and Papers has awarded the Rs 8000 million order for the supply of its third paper machine to Voith Paper, Germany. Voith Paper bagged the order over the contender Metso Paper, Finland, in the contract floated by TNPL, according to sources in the know. As a part of TNPL's expansion plan, the third paper machine will add a printing and writing paper production capacity of 1,55,000 lakh tonnes a year to its existing capacity of 2.45,000 tonnes. The expanded capacity is expected to be in place by March 2010 and commercial production is scheduled for mid-2010. This will make TNPL the largest paper manufacturer in India with a 1,000-plus tonne a day of production capacity in a single location. TNPL has also emerged among the largest bagasse-based mills in the world. Bagasse is the fibrous waste material obtained from sugarcane during sugar production.

AMARAVATHI SRI VENKATESA PAPER MILLS LIMITED: This paper mill is expanding its newsprint production capacity based on recycled paper. The company is setting up a 180- tonnes a day paper machine to manufacture newsprint from recycled paper. The Udumalpet-based Amaravathi group, which has interests in paper and textiles, has a total paper production capacity of over 360 tonnes a day distributed across four companies within the group. As a part of a modernisation process the group is doing away with a 25 tonne capacity obsolete paper machine. This would leave the group with a total installed production capacity of about 515 tonnes of various grades of paper in about a year.

JK PAPER MILLS LIMITED: This Paper Mill has reported a net profit of Rs 347 million for the nine months ended March, 2008, with net sales of Rs 6067 million. The company has changed its financial accounting year from June to March. Commenting on the performance. The demand for the products remained high throughout the period. By volume, sale of branded products increased by 21% according to the company sources

SESHASAYEE PAPER AND BOARDS LIMITED: This Company is planning to double its production capacity at a cost of Rs 3500 million. It plans to expand its production to 2,25,000 tonnes from the present 1,15,000 tonnes. The expanded capacity will be in place in two years' time and the company is scouting for a used paper machine. On the funding, he said the company plans to bring in about a third of the cost, Rs 1050 million through internal accruals and has approached financial institutions for the balance as term loans.

WEST COAST PAPER MILLS: This Company has reported a net profit of Rs 193.3 million for the last quarter of FY'08, a 10.46 percent growth over the same period previous fiscal. Net sales of the company increased 2.61 percent to Rs 1515 million during the quarter under review, a company statement said today. For the year 2007-08, net sales stood at Rs 5832.3 million, representing a rise of 5.17 percent over the previous fiscal. Net profit increased 23.23 percent to Rs 819 million for the year.