

Indian Paper Scenario – May 2009

Rejecting domestic producers' claims of injury from imports, an empowered government board recently sought further consultations with user industries on proposed safeguard duty on imports of products such as steel, paper and auto parts. Amidst a conflict of interest between the producer and the user industries, the standing board on safeguards, headed by commerce secretary G K Pillai, deferred the decision on the proposal for imposition of 20-25 percent duty on imports of these products for two months. It asked the directorate general on safeguards (DGS) to go back to different stakeholders, including the consumer industries, and then revert to the empowered body. The DGS in the finance ministry had recommended imposition of extra duty of 20-25 per cent on imports of these items to protect domestic industries from inflows. Mr. Pillai said that not enough homework had been done and there is a need to consult the domestic industry and other interested parties concerned. He added that they have asked the DGS to consult the user industry and come back to the board after 60 days.

Though Indian paper mills are trying hard to remain competitive at the backdrop of a slowdown, Orient Paper & Industries, part of the Rs 60000 million GP Birla-CK Birla Group, is expecting to outperform the industry average of 7 to 8 per cent this financial year. In an interaction with Financial Chronicle, ML Pachisia, Managing Director, Orient Paper & Industries said that though the company was feeling the pinch of low credit off-shoots and dwindling demand across most paper segments, it was still confident of a healthy growth because of the rising demand for tissue paper in India. Typically tissue paper constitutes 20 per cent of our overall paper segment, but due to the high growth potential of this product, Orient has decided to double its share to 40 per cent now. Last month, the company invested Rs 1200 million in its Amlai plant in Madhya Pradesh to increase capacity of tissue paper. They have increased capacity in Amlai to 35,000 tonnes from 20,000 tonnes. The company is a significant player in the production of writing and printing paper, which accounts for over half per cent of its revenues. Together writing and printing paper is growing at around 8 per cent annually but the tissue paper segment is growing at more than twice the rate. The tissue paper market in India is still at its nascent stage and annually is growing between 15 and 20 per cent. The present demand for tissue paper in India is roughly 40,000 tonnes. Other significant players in the tissue paper production are Pudumjee Paper Mills and Century Pulp & Paper. The overall paper output of Orient Paper is close to 100,000 tonnes per year. The company recorded a net profit of Rs 2,044 million as on March 31, 2008. The company is expected to announce its financial results for 2008-09 before June 30, 2009.

The Government of India has proposed 20 per cent "safeguard" duty on import of coated paper and paper board with a view to protecting the domestic paper industry but printers and publishers have decried the move. On top of the price increase, paper manufacturers gobbled up 12 per cent excise duty reduction announced last year. While paper is available at Rs 35 a kg in the international market, the domestic industry is selling it for Rs 54-55 per kg. The Printers'

Federation said if the safeguard duty is imposed, the Rs 600000 million industry employing 2.5 million people would be badly affected. Moreover, parents, who have been hit by fee hikes at schools, would have to spend more on books for their children.

J.K.PAPERS LIMITED: This company has posted a net profit of Rs 150.8 million for the quarter ended on March 2009, a decline of 4.4 per cent as compared to the same period last year. The company had reported a net profit of Rs 157.8 million in the same quarter last year, the company said in a statement. The company reported a total income of Rs 3092 million during the quarter under consideration, a jump of 13.7 per cent in the corresponding quarter of 2007-08.