

Paper industry logs good numbers for Dec quarter

Rising income levels, growing per capita expenditure were key factors

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Improved market conditions have yielded positive growth in sales and profitability of paper mills during the December quarter.

Market leader JK Paper's net profit jumped 72 per cent to ₹120.26 crore from the same quarter a year before. International Paper and West Coast Paper reported 179 per cent and 57.3 per cent growth, respectively. Tamil Nadu Newsprint (TNPL) had a 174 per cent and 83.4 per cent rise in quarterly sales and net profit, respectively.

All this is a turnaround after a brief draw-down. During the quarter, mills raised product prices and cut cost. The positive sentiment is likely to continue, with mills seeing room for a price increase in some grades.

"Improved market conditions helped growth in sales across the board. Better operating efficiencies and lower finance cost due to deleveraging have contributed to improved performance. The company continues its focus on farm plantation in close proximity to the mills," said Harsh Pati Singhania, vice-chairman and managing director at JK Paper.

His company is market leader in branded copier paper and among the top producers of coated paper and packaging board in India, with increased focus on value added products.

TNPL had a 6 per cent increase in paper production at 113,526 tonnes during the quarter from a year before. Its packaging board output rose, to 47,489 tonnes from 43,588 tonnes in the comparable period.

TURNING AROUND

Sales and profitability of paper mills (₹ crore)

Companies	Net sales		Net profit	
	Dec '18	% chg*	Dec '18	% chg*
TN Newsprint	1,094	17.4	50	83.4
Ballarpur Industries	955	36.6	-152	-
JK Paper	869	10.1	120	72.3
West Coast Paper	435	6.6	68	57.3
International Paper	376	14.6	58	179.2
Emami Paper	373	2.2	6	-54.2
Seshasayee Paper	355	20.2	51	63.4
N R Agarwal Inds	316	1.9	25	-2.7
S I Paper Mills	63	21.4	5	53.6
Balkrishna Paper	52	-7.9	-4	-

Sources: Capitaline, Compiled by BS Research Bureau
*% of change



The mills also benefited from stagnant raw material prices. Industry sources said that of wood pulp stayed at \$875 a tonne.

"Indian mills face stiff competition from import. During the past few months, paper import had moderated, which helped domestic companies to boost sales throughout the period between April and December (first nine months of this financial year)," said Rohit Pandit, secretary-general, Indian Paper Manufacturers Association.

Yash Papers, into speciality paper, plans to invest ₹200 crore to expand production capacity by 30 per cent to 150 tonnes a day, and to double its paper products' manufacturing capacity to 20 tonnes daily.

Commercial production with expanded capacity is to commence in

March 2020.

A CARE Ratings report says India's share in global demand is growing as the domestic market increases, while demand growth in developed nations is muted.

Domestic demand for paper and paper products grew from 9.3 million tonnes in 2007-08 to 17.1 mt in 2017-18, a compounded annual growth of 6.3 per cent.

Domestic per capita consumption is a little over 13 kg a year; the global average is 57 kg. The growth triggers include rising income levels and growing per capita expenditure. The projected demand has caused companies to start building for additional production capacity. However, import apart, access to quality and cost-competitive raw material is a challenge, says the industry.