

# Rising input costs irk paper mills

Aparna Ramalingam | TNN

**Chennai:** Steep rise in prices of raw material has affected operations of Kraft paper mills in south India. Kraft paper is mostly used for packing. According to industry experts, prices of imported and local waste paper have been rising in the last two months. The prices, which stood at \$180 per tonne in November is now hovering at the \$280 mark. This figure may touch \$300 soon.

"Prices of imported waste paper will be on the rise as in countries like the US, wood is diverted to the power industry," says R Kr-



**BOXED IN**

ishnaswamy, executive member, South India Kraft Paper Mills Association. This comes in the backdrop of President Obama's emphasis on clean energy. The demand for Kraft paper is rising 10% annually. While southern mills produce close

to 10 lakh tonnes of kraft paper annually and account for 30% of the country's production, the industry is highly fragmented.

Some companies like Kovai Maruthi Papers and Boards have started sourcing material from Australia and the Gulf. But margins are under pressure. "They are in single digits at the moment. The problem gets compounded as we are not supplying to end customer's directly," says M Rajagopalan, MD, Kovai Maruthi.

Manufacturers had looked at joint sourcing to tide over steep inputs costs. "We thought of forming a co-

operative to source raw material abroad but that could not be realised on account of payment related issues," says SR Ravindar, MD, Sennar Paper & Boards. With the budget round the corner, manufacturers are clamouring for exemption of import duty on waste paper.

Bigger companies like ITC is tapping households directly to source waste paper. "Our monthly requirement of raw material is 10,000 tonnes. Through such efforts, we would be able to reduce our dependence on imports," says Pradeep Dhobale, chief executive, paper boards division.