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Corrugated box makers face margin pressure

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The corrugated paper box industry's major raw material, Kraft paper, has been recently subjected to multiple and unprecedented price increases. This is likely to result in the eastern region paper mills increasing prices of finished goods.

Apart from enforcing price increases, the Kraft paper mills are cutting down supplies by taking planned and collective plant shutdowns. Recycled Kraft paper mills have announced price increases of Rs 3,000-4,000 per metric ton across all varieties in the last two months.

Aggravating the situation is the fact that prices of all other critical inputs have shot up. The cost of labour has also gone up substantially. As a result, corrugated box manufacturers are facing a squeeze on margins.

Sandwiched between the large paper mills and large-scale buyers, the corrugated box industry is mired in difficulties. "Moreover, the paper industry is fuelling inflation through cartelisation. Paper mills are increasing prices collectively, by the same quantum," said Hemant Saraogi, president of Eastern India Corrugated Box Manufacturers' Association (EICMA).

"Further, to get the prices accepted in the market, they are collectively shutting down production in order to command increased prices by creating shortages in supply. This is not only an unethical business practice but also against the Competition Act enacted by the Government of India in May 2009," he added.