

Kraft paper mills in dire straits

Hit by raw material shortage, mills in South forced to increase price by up to ₹3,000 per tonne

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THE kraft paper mills in South India, which provide direct and indirect employment to over 3 lakh people, are severely hit by not only the spiralling input costs, but also the shortage in raw materials.

As a result, the mills are forced to increase the selling price of the kraft paper, by ₹2,000 to ₹3,000 per tonne, in the coming weeks, said Rabindar, President, South India Kraft Paper Mills Association.

"In view of the steep increase in the input costs, the industry body is also urging the Union Government to abolish customs duty of 5.2 per cent and countervailing duty of 4 per cent to help them keep their heads above water," he added.

Rabindar also said, "There are about 100 kraft paper mills in South India, producing over 10 lakh tonnes of kraft paper, annually. The



cost per tonne of imported raw material has increased from about ₹9,700 to over ₹16,400 ie. 69 per cent, and the cost of raw material in the local markets has increased from ₹6,200 to ₹10,200 (64 per cent) per tonne, during the last 12 months.

"Besides, the costs of chemicals, power and other input materials have also followed the suit. In addition, due to continuous power cuts, the financial cost has also gone up by 3 per cent, due to poor capacity utilisation," Rabindar noted.

"While the mills across

India have been forced to increase their product prices by ₹7,000-7,250 per tonne, the mills in the South have increased the prices only by ₹3,500-4,000 per tonne (from February 2010 to December 2010), about 20 per cent of the price level that prevailed during October 2009," he said.

"But this trend cannot continue due to the adverse raw material market scenario. The mills are severely fighting against the odds and are driven to increase the Kraft paper price as stated above, in order to fund the procurement of the raw material, at the prices unforeseen."

Rabindar also noted that, "since the indigenous procedure of fibre collection is not optimal, there is a severe shortage of raw material in the local market, and hence, the Indian Kraft paper mills have to import raw material from other countries."