

## Paper may become dearer as coal prices increase 40%

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**New Delhi:** Paper prices in the country are expected to rise soon, mainly due to stiff rise in prices of coal, a key input, during last one year.

“The prices of wood and other raw materials have already been moving up over the last one year, putting pressure on the bottom lines of paper companies. The unforeseen 40% hike in coal prices will further add to the cost push of the energy intensive paper industry,” Madhukar Mishra, president, Indian paper manufacturers Association (Ipma), told FE.

He said that the industry is finding it difficult to absorb the two coal price hikes during the last one year.

Coal prices have been hiked from R1,200 per tonne to R2,600 per tonne in two instalments.

The problems of the paper industry have been compounded by the rise in coal prices despite the coal ministry stating that the changeover from the system of useful heat value to gross calorific value is a price-neutral exercise.

In the absence of a core sector status, the paper industry has been facing erratic supply of quality coal from local collieries, forcing the paper mills to also use imported coal for their energy needs. “However the effective customs duty on coal works out to nearly 10% and the depreciating rupee has not helped either,” said Mishra.

“The increase in input and raw material costs can erode the price competitiveness of the Indian industry, which is already facing the onslaught of imported paper. With an economic slowdown in the developed economies, export dependent economies, such as China and Indonesia, have found India an easy outlet for their excess capacity,” said Mishra.

Despite witnessing a healthy growth rate during the last one decade, the Indian paper industry faces huge challenges from dumping of cheap paper products from China and Indonesia and availability of land for cultivation for pulp wood plantations over the next few years.

The paper industry, estimated to be in the range of R30, 000 crore and growing at around 8% annually, has asked the government to impose anti-dumping duty in compliance with WTO norms so that growth could be maintained.

From 7.5 kg per capita consumption during 2007-08, the domestic consumption of paper has gone up to 9.3 kg during the current fiscal. The global average per capita consumption of paper is around 45 per kg against the US consumption of 312 kg. Even China has a per capita paper consumption of 42 per kg, while countries, such as Indonesia and Malaysia, have per capita paper consumption of around 22 kg and 25 kg per annum, respectively.