

PAPER

Sector Impact – Neutral

Background

Million Tonnes (MT)	Domestic Sales			
	FY09	April-Nov Comparison		
		FY09	FY10	Growth
Writing and Printing Paper	6.64	4.30	4.66	8.25%
Newsprint	2.07	0.764	0.66	(14.13)%

Source: Centre for Monitoring Indian Economy (CMIE)

- The Indian paper industry, one of the few sectors largely unaffected by the global downturn, has witnessed a steady growth in volumes of more than 8% during the period April-November 2009 as against the corresponding period in the previous year.
- However, with a faster addition to the total operating capacity (expected at around 9.5% for FY11) in Writing & Printing (W&P) segment, paper prices have been under pressure. Over the past two years, the domestic industry had also to contend with a sustained high level of cheap imports from East and South East Asia.
- Besides the threat from imports, the sector faces challenges in terms of its inherent fragmented nature, its vulnerability to prices of its raw materials – pulp and waste paper (both domestic and imported) and environmental issues.
- However, the prospects for the overall industry are likely to be stable in the long run, on account of significant growth drivers like increasing population, increased government expenditure on education, higher circulation of newspapers, higher urbanization, growth in retail industry, and increase in print advertisements, among others. With a per capita consumption of around 8 kg per annum (much lower than the global average of around 45 kg per annum), the current growth rates are more likely to be sustained in future.

Budget Proposals

1. As part of rollback of stimulus package, the standard rate of excise duty increased from 8% to 10% across the board.
2. Reduction in excise duty on corrugated boxes and cartons manufactured by standalone manufacturers from 8% to 4%.
3. Outright exemption from 4% additional duty of customs (Special CVD) is being provided to wastepaper and paper scrap.
4. Surcharge on customs duty for domestic companies reduced from 10% to 7.5%.
5. Proposed plan to increase allocation for school education from Rs.26,800 crore in 2009-10 to Rs.31,036 crore in 2010-11. In addition, States will have access to Rs.3,675 crore for elementary education under the Thirteenth Finance Commission grants for 2010-11.

Duty Structure

(%)	Existing	Proposed
CUSTOMS DUTY		
• Newsprint	0	0
• Maplitho/Duplex Board/Coated Paper	10	10
• Wood Pulp (hard/soft) / Waste Paper	5	5
EXCISE DUTY		
• Newsprint	4	4
• Maplitho/Duplex Board/Coated Paper	4	4
• Wood Pulp (hard/soft) / Waste Paper	0	0
• Corrugated boxes	8	4

Excluding 2% Education cess and 1% secondary & higher education cess

Budget Impact: Industry

1. The increase in standard rate of excise duty is likely to have a negative impact on the paper industry, considering the current oversupply situation. However, the quantum of the same would differ with the ability of the manufacturer to pass on the hike.
2. Increase in planned allocation for school education and recasting of National Literacy Mission may lead to enhanced demand for paper.

3. The increase in personal disposable incomes and steps to bolster economic growth is expected to increase household spending on education.
4. Reduction in excise duty for corrugated boxes and out right exemption of 4% CVD for waste paper and paper scrap would act as incentives for recycling of waste papers. Newsprint industry dependent on waste paper as also corrugated box makers will benefit from these incentives.

Budget Impact: Companies

Company	Products	% of Sales	Applicable Proposals	Overall Impact
Ballarpur Industries Ltd.	Papers including coated, Pulp-Rayon Grade, Others	Papers:95.3 Others: 4.7	1, 4 and 5	◄►
Andhra Pradesh Paper Mills Ltd.	Paper and Paper Board	Paper and Paper board: 100	1, 3, 4 and 5	◄►
JK Paper Ltd.	Writing & Printing Paper	Paper and Paper board: 100	1, 3, 4 and 5	◄►
Tamil Nadu Newsprint & Papers Ltd.	Writing & Printing Paper, Newsprint paper	Writing & Printing Paper :94.1 Other:5.9	1, 3, 4 and 5	◄►
West Coast Paper Mill Ltd.	Writing & Printing Paper, Industrial Paper	Paper and Paper board: 93.4 Others: 6.6	1, 4 and 5	◄►
Seshasayee Paper & Boards Ltd.	Paper and Paper Board	Paper and Paper board: 97.87 Others: 2.13	1, 4 and 5	◄►

Legends:

▲▲	Highly Positive	▼	Negative	◄►	Neutral
▲	Positive	▼▼	Highly Negative	∅	No Proposals