



Triplewall Containers Limited

Just about a month ago we had updated you on the market scenario of Kraft paper along with short term trends.

Like it has been in the last couple of years the market has yet again taken a twist and is heading in a new direction and that too going against the basic economic principles of demand and supply.

We all know that demand in the Indian market is muted and there is tremendous overcapacity in all industries. The corrugated box and paper industry are no exception.

Even then there has been a sharp price increase of Rs 5000 pmt within a span of 10 days. The mills say that this is not the end and expect further increase in the coming days.

Now let's look at some of the reasons for this situation.

1. Like I had mentioned in my last update coal which is the main source of energy for paper mills has increased from Rs 5000 PMT today to Rs 15000 pmt. this has increased the cost of production of paper mills by about Rs 3500-4000 pmt.
2. With China facing severe electricity shortage the demand for finished paper from India and other parts of the world has started to become stronger. This has created a sense of optimism in the Indian markets as it can fulfil the capacity available.
3. AOCC or imported waste paper is touching all-time highs every day due to sustained self-consumption and non-availability of containers.
4. The price of starch too has increased by about Rs 4000 pmt in the last 30 days.
5. Due to diesel price increase all incoming and outgoing freight costs have increased.

The situation is so grim that the shortage of coal has created a scenario where mills who used to buy coal on 90 days credit now need to pay in advance for it and along with higher local waste paper prices, which has completely disrupted their cash flows. This has led to a lot of mills struggling to keep their units operational.

In turn mills have cut all credit terms to corrugators creating a domino effect. Here the government has modified the GST rate on corrugated boxes from 12 to



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18% which has affected our cash flows severely. The additional 6% as well as rising RM cost are crippling the day to day working of corrugators

With increased cost of coal , starch , freight, labor and other spares and consumables the conversion cost of the corrugators has increased by Rs 1500 PMT.

In the above scenario both the paper mills as well as the corrugators are pushed against the wall and have no option but to get the required increase if not their survival is at stake.

Just for your information already there is news of some paper Mills shutting operations due to cash losses and erosion of working capital and it's not far when you will find corrugators struggling to meet your supplies.

Over and about with the current coal prices a low of private power producers in India are shutting production of power as it is no more viable which can start causing widespread load shedding like China. In fact, it's expected that most government power distribution companies will have no option but to effect steep increase on the power prices to keep afloat. This will further worsen the situation.

To summarise the above even though there is a drop in demand post Diwali every year but as this year there never was any increase in demand during this festive season, we don't see a drop in price of paper soon. In fact, the way things are going there are chances of a further increase of at least Rs 2000 pmt.

The markets are very volatile and a storm is brewing. It's time for us to hold each other's hands as supplier and buyer partners otherwise both of us are going to feel the after affects in time to come.