



Triplewall Containers Limited

During the last week of June, we had informed you that the price of kraft paper had dropped by Rs 3000 PMT due to very poor demand and also that when demand picks up the price of paper is expected to bounce back. Looking at the oncoming festive season we had anticipated an increase in demand to come in by the second week of July and its effect on paper prices to reflect accordingly.

Instead of the second week of July we are witnessing a steady increase in demand from the fourth week of July from all sectors of the industry which has as expected started pushing up the price of Kraft paper. In the last 2 weeks we have seen an increase of Rs 3000 PMT and as we enter the peak season, we expect this to continue to increase to either the April 2021 highs or even higher.

Some of the reasons for the above scenario to play are listed below.

1. Imported OCC is very strong and continues to hover in the 320-340USD range. In fact due to the high pricing and very low demand in the month of June and July most mills in India refrained from booking orders for Imported OCC at these prices and the effect of that will be seen in September as there might be a shortage of Imported waste during September which the mills will try to compensate by buying extra Indian waste which in turn will push up demand for the same and in turn push up the prices.
2. The availability of shipping lines and containers to India is deteriorating steadily and the costs are increasing month on month. Due to this not only is the price of Imported OCC increasing but incoming materials timelines have become very uncertain effecting the supply chain.
3. Thankfully the demand for pulp rolls from China has not picked up and is relatively muted which is still keeping the price of paper in India under some pressure. If the demand from China picks up then we expect the prices to go beyond the last high.
4. The price of Coal the main fuel for all paper mills running boilers and power plants has increased by 100%. This increases the cost of production substantially and the mills do not have a choice but to pass on the cost to the customer.

In view of the above only if a third wave hits us along with sporadic lockdowns by the governments that we can see a steadying of prices again due to a drop in demand , If not we expect another surge in pricing soon that will take it to levels where most corrugators will be unable to service any customers at the current prices which were contracted by the corrugators in July.

Like always this is only our opinion of the market and as we have committed to supplying at a certain price we will continue to do so.