



Triplewall Containers Limited

It's time for the kraft paper trends updates again.

The last time we had mentioned that in the month of May the price of paper had dropped by about Rs 2000 PMT but this was temporary and within 2 weeks it had climbed back to its old levels. This was mainly due to the very low demand during the complete lock down in the south of India.

Now most states have opened up completely but even then, the demand has not picked up. Due to this severe drop in demand even though the cost pressure on the mills is very high as Imported waste is still very strong at 320-330USD levels and other input prices like coal have increased by 60% the mills have had no choice but to drop the price by about Rs 3000 PMT in the last 2 weeks. This has happened gradually and even with lower demand we feel this might be very close to the bottom in terms of the prices falling as most mills have started make losses.

If we look at the next quarter its very uncertain as to what is going to happen. On one end the main festive season of India is coming up and the general demand and sentiment of India and Indians is at its peak during this quarter. If that is so the demand will pick up from the 2nd week of July and this will push up the price once again to old levels or even higher as the mills might face a shortage of imported waste as most of them have stopped buying at these high prices. With demand for paper the demand for local waste will increase pushing up its prices and in turn pushing up finished paper prices.

On the other hand, there is a big chance of India being struck with the third wave of Covid. This can happen as early as August and if this happens everything will become topsy turvy as we have never experienced something like this in such short intervals. The gap between the first and second wave was quite large and gave every one including the economy time to revive but with such a short interval the government the demand in the economy will completely dry up and this festive season will be washed out.

If the second scenario plays out then we don't expect the prices of paper to increase. Looking at the above all we can say is that its very difficult to predict what is going to happen and what the intensity of it will be and its effect on the economy.

The last point that we would like to add is that if the third wave hits and there are lockdowns across India there might be a challenge in getting supplies of Kraft paper smoothly as availability of local waste will be a big challenge which we have witnessed during the second wave. This might not impact the pricing due to the low demand but will create issues in supplies.

As always, we have tried to give you an unbiased view of the market so that it becomes easy for you to plan and take both logistical and commercial decisions.



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