

● **INTERVIEW: AS MEHTA**, president, JK Paper Mills

‘Sirpur Paper Mills acquisition will provide synergistic advantage’

Following the acquisition of Telangana-based Sirpur Paper Mills (SPML), JK Paper Mills will be investing another ₹400 crore in SPML which was shut down in 2014 due to rising input costs and operational inefficiencies. Explaining the company's future plans, AS Mehta, President, JK Paper, tells BV Mahalakshmi that the operations are expected to resume in about six months' time. Also, the company will soon be undertaking an expansion project at its unit in Gujarat for putting up packaging board capacity of 1.5 lakh tonne per annum and pulp mill of 1.4 lakh TPA with other utilities with an estimated investment of about ₹1,450 crore. Excerpts:

Following the acquisition of SPML, what is the near-term target in terms of new investments for the revamp?

The recent acquisition will provide synergistic advantage both in terms of a strategically located manufacturing facility as

well as access to raw material. It will more than double JK paper's uncoated printing and writing paper capacity and also supplement its product portfolio, including some speciality products. The acquisition will add about 1.4 lakh MT, taking the combined capacity to about 6 lakh MT. SPML shut down in 2014 due to rising input costs, mainly raw materials and operational inefficiencies. An additional investment of ₹350-400 crore would be made towards restructuring of the closed unit and working capital. This will be made over the next two to three years and will improve productivity and efficiency of the plant.

Are you looking at any fresh investments or adding capacity in the next 3 years?

Besides SPML acquisition, we are undertaking an expansion project at our Unit CPM in Gujarat to put up packaging board capacity of 1.5 lakh tonne TPA and



pulp mill of 1.4 lakh TPA with other utilities. Total investment will be about ₹1,450 crore. The company exported paperboard products to over 54 countries during the year under review, including the US, the UK, Sri Lanka, Australia, Singapore, Malaysia, West Asian countries and Africa. Though strategically, we would continue to export to various geographies, our

prime area of focus would continue to remain the domestic Indian market.

How is the growth in the paper industry projected, and globally, where does India stand in the paper industry?

Globally, the paper output increased to 410 mt in 2017 which was a new high. Packaging boards and industrial kraft papers accounted for the largest share of 57%. The Asia Pacific region turned out to be the largest manufacturer of paper and paperboard products (48%) followed by North America and Western Europe. China was the largest market in terms of value while Brazil and India are forecast to report the fastest growth at a CAGR of around 7%. The Indian paper sector is among the fastest growing in the world and holds an attractive potential. It accounts for a 4% share of the total global paper output with an estimated turnover of over ₹60,000 crore.

How is the demand-supply catching up in the industry? Are there any apprehensions from the Chinese players?

While the Indian paper industry has been growing at about 6-7%, there has been a sharp escalation in imports at a CAGR of 16-17% over the last 7-8 years. The surge in imports was unprecedented from the FTA countries, mainly ASEAN, where there was more than a six-fold increase due to zero import duties. The Indian paper market became a prime destination for the surplus material from the slowing markets. However, the recent steep increase in international pulp prices prevented cheaper materials from these countries to undercut domestic prices and set a cap on paper prices.

The recent weakness in the rupee, down by almost 7% since the turn of the year, also provided some cushion from the imports surge.