

SANGEETHA G
Chennai

Paper stocks jive in subdued market

Paper stock prices spurred on Tuesday as part a broader rally in the segment for the past six months. Chinese regulatory changes, which led to an increase in both domestic and global paper prices, have been building momentum in paper stocks.

On Wednesday, paper stocks saw sharp intraday jump, though they pared much of the gain by the session's close. JK Paper rose 9.37 per cent intra-day but closed with a gain of 3.36 per cent at Rs 167.70. Star Paper Mills closed up 4.21 per cent at Rs 203.05, after moving up 9.69 per cent in morning trade. West Coast Paper Mills closed the day up 5.90 at Rs 378.60, after having an intra-day jive of 6.37 per cent. Seshasayee Paper Boards closed up 0.93 per cent at Rs 1,171.85 after vaulting 8.16 per cent in the morning. The Sensex was down 0.45 per cent on Wednesday.

"Today's movement was part of an ongoing rally in paper stocks in the past few months. Paper prices across different segments have gone up in the recent past, taking a cue from the rising global prices. Chinese regulatory changes have led to increase in the cost of production of paper globally," said Jatn Damania, re-



search analyst, Kotak Securities.

A few months back, China banned the import of mixed paper waste over environmental concerns. This was being used as raw material for low grade paper. The ban has not just slowed down the production of paper in China, it has also increased the cost of production. China also started importing paper in more quantities from the

global market. Some of the Indian paper manufacturers too have been exporting to China.

Increased demand from China pushed up paper prices in the global market. While this inevitably supported Indian paper prices, the demand for domestically manufactured paper also rose due to slower growth in imports. Paper imports have been steeply going up in the past two years.

In volume terms, imports went up 31 per cent in 2017-18 against the previous year. Chinese imports had gone up 56 per cent, while that from Asean countries were up by 32 per cent and imports from South Korea shot up 57 per cent. However, in the past few months the rate of growth has slowed down due to lower imports from China, according to the Indian Paper Manufac-

urers Association.

Further, the rupee too has played a role in lower imports. A depreciated rupee made imported paper more costly and hence the demand for domestic paper went up. All these pushed paper prices across segments.

Stock prices of paper companies too have gone up in this past one year. JK Paper stocks shot up 80 per cent since July this year. Those of West Coast are up 110 per cent in the past one year and Seshasayee Paper Boards went up 74 per cent in one year and 52 per cent since July.

The anti-dumping investigation going on in two types of paper- coated paper and uncoated copier paper- too has added to the positive sentiments in the market. The investigation had started in November and January and is expected to get completed in 9 to 12 months. Chances of imposing anti-dumping duties too have kept the market buoyant.

Going ahead, as the winter approaches, restrictions on Chinese paper production may become stricter. Most of the polluting industries are asked to remain closed during the winter due to environmental concerns. Any further production cut by China will keep global prices firm in the coming months as well, said Damania.