

New import policy may help paper stocks turn a page

Compulsory registration under PIM positive for medium to long term, say analysts

LOVISHA DARAD
New Delhi, 27 May

Shares of paper companies were in demand on Friday, after the government stepped up scrutiny on paper imports. The stocks of West Coast Paper, JK Paper, Star Paper Mills, Andhra Paper, and Orient Paper surged between 0.8 per cent and 3.6 per cent on the BSE.

In an effort to curb the illegal dumping of paper materials, the government has amended its import policy for compulsory registration under the paper monitoring system (PIM). Under this, an importer will have to provide advance information about the import of paper and obtain a registration number. The importer can apply for registration five days before the expected date of arrival of import consignment, whereas the automatic registration number shall remain valid for 75 days.

Analysts believe the government's nascent step towards an anti-dumping policy will act as a big booster for domestic paper players. "The domestic paper industry has been voicing its concerns on dumping and this move shall bring a much-awaited relief to the sector. This comes at a time when paper mills have raised their prices to fully neutralise the impact of rising raw material costs," said S Ranganathan, head of research at LKP Securities.

The government has made import registration compulsory for 201 types of paper and paper boards, such as glazed newsprint,



PAPER 'TIGERS'

Top gainers among major paper stocks (as on May 27)

	CMP (₹)	Change YTD (%)
JK Paper	335.4	63.6
Andhra Paper	324.8	49.0
West Coast Paper Mills	336.4	43.1
Tamil Nadu Newsprint & Papers	172.6	41.2
Seshasayee Paper & Boards	185.5	24.0

Source: Bloomberg/Exchange; Compiled by BS Research Bureau

handmade paper, tissue paper, and carbon paper.

Analysts expect leading paper players like West Coast Paper and JK Paper to benefit from the new import policy, auguring domestic production, as well as bolstering exports of higher paper volumes.

"The government's compulsory registration of paper imports is sentimentally positive for the entire domestic paper industry. The new import policy gives the upper hand to bigger paper players, such as JK Paper and West Coast Paper, to export more due to higher production capacity than smaller players which are dependent on imports of low-grade paper," said Archana Dua, an analyst tracking the sector

at IDBI Capital.

India's exports of paper and paperboard jumped nearly 80 per cent in 2021-2022, fetching a record ₹13,963 crore. In terms of volumes, paper exports have grown fourfold to 2.85 mt in the past five years, reports suggest.

And now, with the new import policy effective from October 1 and the resurgence in demand after Covid, analysts expect the domestic paper industry to benefit over the medium-to-long term. "The new import policy will enable the government to observe and monitor for the next six months if the domestic industry is hurt by these imports. Hence, the next step from the government can likely be anti-

dumping duty, which is six-to-twelve months away. We expect paper stocks to potentially benefit from the new import policy in the long haul," said Deepak Jasani, head of retail research, HDFC Securities.

Raw material cost

But the sharp increase in global pulp prices, coupled with high raw material costs, had compelled companies to take a 10-12 per cent price hike in April and May. While the inflated pulp price is good news for larger paper players, smaller players will face the heat due to lower utilisation levels.

"Since global pulp prices have risen significantly in the past year, international paper prices are on the rise too. We expect JK Paper to gain more than other paper players because of higher global prices and benefits from Covid-led supply disruptions. We maintain a "buy" stance on JK Paper with a target price of ₹420 per share," said Dua.

That apart, according to the Indian Paper Manufacturers Association (IPMA), paper consumption in India is likely to witness 6 per cent-7 per cent growth per annum in the next five years, driven by growth in organised retail and education emphasis. The industry body expects paper consumption to reach 30 mt by FY27, with an estimated turnover of ₹70,000 crore.

Shares of JK Paper, Andhra Paper, West Coast Paper, Star Paper Mills, and TN Newsprint have surged between 41 per cent to 64 per cent in 2022.