

In continuation to my previous mail on the above subject the following points clarify the current volatile situation in the Kraft paper market.

You are aware that during the lockdown the prices surged by Rs 5000 pmt primarily due to limited number of mills working along with limited collection of local waste as well as ports taking excessive time to clear inward shipments due to shortage of staff.

By end of May most mills have started operations and with most of the country still under lockdown the supply exceeded the demand and the prices crashed by Rs 5000 pmt within a span of 15 days.

Even then we had mentioned that this is a knee jerk reaction by the mills and the prices are bound to increase again by July.

If you see by mid-July the prices started to move upward and by mid-August the total increase has been Rs 4000 pmt. in fact the sentiment is still bullish.

Now why did this happen.

Most mills in India did not place orders for imported waste paper during the April to June period due to the uncertainty. The mills that produced paper used all the stock in hand as well as the stocks in the pipeline.

Once things started to settle down the mills started ordering waste but by now the prices had increased between 40-60USD on all the grades due to heavy demand from China.

China has officially banned imported waste from January 2021 so there has been large scale buying by the Chinese mills.

Due to the drying up of the imported waste paper pipeline in India the focus shifted to local waste where the collection is already poor due to low demand.

Now with lower collection, heavy demand from paper mills and the imported paper being pegged at a higher price the Indian scrap dealer steadily increased the prices of local waste by about Rs 5000 pmt in the last 40 days.

Even though substantial quantity of imported waste is expected to arrive into India in September the problem is that the landed price of the scrap is at least 50USD higher which converts to about Rs 4000 pmt in INR.

Secondly, we are entering the peak festival season and the revival of demand is very obvious.

Thirdly China is a big buyer of Pulp roll paper from India. This is low quality paper in the form of rolls to be pulped at their mills to go around the Chinese regulation of ban on waste.

For the south specifically waste is being pulled by other regions like Maharashtra and Gujarat as these regions dependency on low quality imported waste is very heavy and to offset the shortage of that they are paying higher prices for local waste from outstation dealers and pulling the waste which in turn is pushing up the prices in the south.

Under the above circumstances our reading is that the price will continue to increase further or will hold at the current levels till mid - end November. Post Diwali we always see a drop in demand. The point to observe is with the drop in demand will we see a full reversal in price or a part reversal. Personally, I feel it will be a part reversal as the Indian

Economy will bounce back creating demand and demand from China for export of paper from India will increase substantially.

The learning from the last 2 years of volatility is that this kind of volatile movement is here to stay and will become the norm.

With volumes increasing and the dependency on imported waste becoming heavier our markets will keep moving as per the international trends and events.

It's time we as converters accept this reality and start discussion with our customers to have monthly price contracts like the plastic industry. This will give more transparency to the transaction as well as a win win for both parties.

I hope the information shared is useful.

Warm Regards.

Manish Guptaa.