

*IN GREEN A BIND*

# Rising input costs hit corrugated box firms

Aparna Ramalingam | TNN

Chennai: At a time when demand is surging, corrugated box manufacturers are facing rising raw material prices (both imported and local waste). Prices have touched \$330 per tonne from \$180 per tonne in November. Corrugated boxes are used for packing air conditioners, coolers and refrigerators, which are seeing a surge in demand due to early summer. "Apart from prices of imported raw material going up, deliveries are also becoming erratic as there are constraints from suppliers (paper mills)," says S Rajgarhia, managing director, Perfect-Pack. For corrugated box manufacturers, raw material (kraft/semi kraft paper) accounts for 70% of the total cost and a continued upward movement is bound to dent margins for such units. "As this is a commodity business, we already operate on thin margins (2%-10%)," says Vikas Goyal, director of the city based TGI Packaging.

Moreover, there is low supply of waste paper from the developed world. With clean energy gathering momentum, mills in Europe and US are switching to waste paper in place of pulp. "This has resulted in reduced surplus in the export market," says Kirit Modi, president, Indian Corrugated Case Manufacturers Association. Also, with winter months witnessing unprecedented snow in many parts of US, there has been less waste paper collection.

Apart from paper, the demand for other inputs such as starch, wire and ink have doubled in the last one year. "Starch is extensively used in packaging of processed foods and the market for such products is growing, there is severe shortage of this raw material," says Goyal. There is also a shortage of fibre that goes into the making of kraft paper due to closure of several pulp mills in earth quake-devastated Chile. The country is a major pulp producer.

Box manufacturers are talking to big customers like white good companies for price revision but a new pricing is unlikely to come in immediately. "We are at the year end and companies won't change their budgets at this juncture. New pricing can only become effective from April," says A Vyas, director, Online Packaging.

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