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'Arbitrary cost hikes of inputs hit us'

SHE'S part and parcel of the country's fast-growing printing and packaging scenario. **Amila Singhvi**, *MD of the country's top company in the sector, International Print-o-Pac — it recorded a total revenue of Rs 155 crore and crossed the Rs 200 crore mark in 07-08 — tells* **Prabha Jagannathan** *why government must jettison its arbitrary policies towards the art printing and packaging sector.*

ET INTERACTIVE

AMILA SINGHVI

What's the biggest worry for the printing and packaging sector right now?

IT'S a new and extremely vibrant sector that has shown impressive growth in the last few years. But a consistent increase in the price of key inputs, paper, board and ink, over the last three years is now threatening to affect that growth despite the fact that the industry has been making a mark in other countries. In packaging, we service a huge sector of goods, primarily FMCG and food. In an era dominated by packaged goods, we are the intermediaries between the goods and the consumers. The segment alone has shown a 50% y-o-y and the industry has seen a 10% growth. That should tell you about the pace of industry growth and the sort of unmet demand there is in the country for its services.

What sort of growth do you expect in the sector in the next few years?

The retail boom is only going to boost the already strong growth. After all, hardly anything in this country is sold loose any more. The packaging spends for a spate of FMCG (mainly cigarette, safety matches, cosmetics, detergents, etc) and food articles, ghee, tea, masalas, cerelac, biscuits, liquor — all of that has both increased substantially and improved in quality. Shelf packaging earlier meant economy sizes but now, our services mean primarily packaging and display. What was earlier primarily packaging in boxes has now grown phenomenally in the pouch packaging segment.

But the FMCG market does not take such consistent hikes in input material easily. The slow growth scenario is set to change in the longer term but a spate of uncoordinated and arbitrary price increases in raw and input materials are threatening to force a setback. But 80% of the packaging industry is in the small, medium and cottage sectors which makes it worse for us.

What sort of arbitrary price hikes are we talking about?

There's been little sanity and method in the price increases and no specific periodicity. In the last four months, for instance, prices have been hiked by the government four times in April, May, June and July. Paper mills have also promptly cited high crude oils prices to hike up prices for our input supplies, citing mainly increases in freight charges and furnace fuel. All of this is only naturally going to bend our backs. We, that is all the top companies such as IPP and Thompson Press have yearly contracts with MNCs. They do not take kindly to our demanding increased prices mid-way. We cannot under any circumstance pass on the hikes to our clients who include FMCG biggies such as Nestle, Hines, HL, Cadbury, Dabur, etc.

On an average, our FMCG clients spend much lower than 5% of their packaging cost on retail products. On our part, we work on highly precise specifications from clients and cannot afford to dilute them mid-contract to cut costs. We can absorb currency fluctuation related hikes in input prices but cannot repeatedly take the blows inflicted on us due to policy arbitrariness. The demand for printed paperboard products is showing decline as a result of these indiscriminate increases.

What's the solution?

Ideally, a mechanism should be put in place under which adequate notice is given of impending price hikes, as well as honouring previously quoted prices for agreed upon length of time. Mills must make a formal intimation to FMCG end users to ensure that carton manufacturers are able to get similar price increases from their customers. We asked the government for excise-free zones so as to address the anomalies in duties for the sector.

You want a level playing field for the industry. What were the demands?

We want a cut in excise duty on folding paperboard cartons and corrugated cartons to 8% from 14% at present to match the rate of excise duty on board; reduction in import duty from the current 30%+ to create a level playing field; end of cartelisation by paper mills and adequate pricing mechanism and schedule to be put in place so that increases in prices of raw materials are passed on to end users.