

Vinda eyes 75pc output lift on rising demand

Jasmine Wang in Jiangmen

Vinda International Holdings, the nation's largest toilet-paper maker, said it would increase output 75 per cent by 2010 to capitalise on the growing demand for personal-hygiene products on the mainland.

The target, if achieved, would take the company's annual production capacity to 420,000 tonnes from 240,000.

Chairman Li Chaowang said Vinda would spend HK\$400 million this year to increase production capacity to 320,000 tonnes by building a new plant in Zhejiang province and expanding existing facilities. The company had HK\$300 million cash by the end of last year.

"We set the expansion plan in accordance with our projection for market growth and the proceeds from the initial public offering [last year] have enabled us to do so," Mr Li said.

The mainland toilet paper and tissue market had a total output of 4 million tonnes last year and Mr Li expects it to keep growing at an annual rate of 8 to 10 per cent over the next few years.

Big players, which meet the government's criteria for environmental protection, are set to benefit from the authorities' decision to close small and polluting paper makers, according to Mr Li.

Jiangmen-based Vinda is competing with foreign giant Asia Pulp &

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**Li Chaowang, chairman,
Vinda International Holdings**

Paper as well as Hong Kong-listed domestic company Hengan International Group on the mainland.

"The new plant in Zhejiang, which is to supply the competitive China eastern market, is strategically vital to our development because it

means we need not ship products from Guangdong plants any more," he said.

Rising costs pose a challenge. Net profit last year fell 26.64 per cent to HK\$78.36 million from HK\$106.81 million a year earlier because of rising prices of pulp, the key raw material for the industry, which accounts for about 60 per cent of Vinda's costs.

Gross profit margin was down to 20.6 per cent from 25.1 per cent in the previous year.

Last year, the average price of pulp imported by Guangdong paper makers rose 13.8 per cent year on year.

Vinda imports nearly 90 per cent of its pulp from Brazil, Chile, Canada and Russia, with the rest sourced

from domestic suppliers. Mr Li said in the first half of this year, the international price of pulp was up 6 per cent in US dollars. But with the yuan's appreciation, the real term increase was only about 1 per cent. He expects the price of pulp to stabilise this year, but oil prices continue to surge.

To minimise the impact of rising costs, chief marketing officer Li Peilan said the company was improving its product mix to sell more higher-margin products and was setting up a regional plant to reduce transport costs.

"In the first half, we raised the selling prices by 5 to 8 per cent on average, but we have not decided whether to raise prices again in the second half," Ms Li said.