

Indian Paper Scenario – April 1998

The recession in the paper industry has worsened following a further drop in the prices of writing and printing paper. Manufacturers are pressing hard to sell by offering inducements to wholesalers and the market in general. While most producers of writing and printing paper have slashed prices by around Rs 2 per kg, the inventory levels of wholesalers has gone up. According to industry sources, the inventory level is now at 45 days against 10 days stock in February 1997. This is despite the higher credit facilities being offered by manufacturers.

The reams of trouble for the paper industry are getting about to end, as both in terms of demand and price the trends have been soft. And amid this sluggish situation came the announcement of an anti-dumping duty on newsprint though this may not bring much cheer. At current prices, the anti-dumping duty may be around Rs. 500 per tonne and leave domestic producers only marginally better off. Perhaps, the only factor that may help the industry in the short term is raising the import tariffs to a slightly higher level than the 20 per cent, it was slashed to from 65 per cent in 1995 in two tranches so as to provide some relief from the high prices.

Business is not quite booming in imported paper trade, yet few stockists are complaining. The eight stockists who exclusively handle imported paper in Chennai regularly buy 75 containers of paper, which is obviously finding takers, every month. High import duties which amount to a total of 47 per cent appear to be no deterrent either. It is true that business is not growing, but at least three stockists did not sound dejected. It is highly possible that national statistics for imported paper which brought cheer, April through November last year

Better quality paper can be obtained if pulp is pretreated with the fungus *Phanerochaete chrysosporium*, according to Process Biochemistry. The journal has called for a shift from chemical treatment of pulp to the bio-treatment for better result. The research, carried out by scientists at the University of Cordoba, Spain, said biobleaching is a better option for averting pollution in paper factories, arising out of usual bleaching technique with chlorinated chemicals. Biobleaching relies on the ability of some micro-organisms to decompose lignin, a substance that together with cellulose form the cell walls of pulp. Pretreatment of the pulp either with the fungus or with the enzyme called cartazyme makes the paper brighter and less brittle.

The paper industry will urge the new government to sanction 50 per cent of the cess, something levied on manufacturers for research and development. The two apex organisations - the Indian Agro Paper Mills Association and the Indian Paper Makers Association - are united on the issue and will urge the government to sanction the fund to the Central Pulp and Paper Research Association. Following the massive onslaught of the high quality, low-priced imported products, industry stalwarts have realised to practise a production procedure to manufacture quality products with lesser cost. The proposed fund would be deployed to bring about an alternative to the high electricity consumption of domestic mills which makes local paper costlier.

An expected surge in Asian exports of manufactured goods should keep the region's appetite for recycled paper fibre strong. Ms. Mary Cesar, Vice President of recycled paper for Jaako Poyry Consulting of Finland, told a seminar at the American Forest and Paper Association's Annual Paper Week conference that the recent currency

depreciation in most Asian markets had made Asian manufacturers much more cost-competitive relative to overseas competitors, and at the same time created a hunger in Asia for foreign currency. As a result, manufacturers in this region are expected to step up their exports, meaning increased demand for containerboard to package those exported goods. Most Asian containerboard was made from recycled fibre. The strong export prospects should offset the negative impact of the Asian currency crash on consumers of recovered fibre. While the currency crisis has generally lowered production costs in dollar terms for most Asian industries, including for many pulp and paper producers, the mills that rely on recovered fibre have to import most of this material from markets with strong currencies, such as the US and Germany.

According to Ms. Cesar, the markets for scrap paper were improving in South Korea, Singapore and Malaysia and added that Japan continues to be a major buyer. She added that markets in China and Taiwan were relatively healthy, as those two economies have suffered less than others from the Asian currency crisis.

NAGAON PAPER MILLS LIMITED: The company, a unit of Hindustan Paper Corporation Limited, registered a record production of 88,532 metric tonnes of finished paper during the financial year 97-98, surpassing the previous highest of 85290 metric tonnes during 96-97. The closing month of the last financial year saw the monthly production touching the highest level. The company achieved a record monthly production of 9242 metric tonnes of finished paper during the month of March 1998 surpassing the previous highest of 9186 metric tonnes during December 1997. Moreover, despite the acute recessionary impact on the paper industry leading to adverse marketing conditions, the mill could also achieve a record despatch of paper as well during 97-98.

PUDUMJEE PULP & PAPER MILLS LIMITED: This company is mainly in the manufacture of high value speciality paper like security paper, stamp base paper, grease-proof and glassine paper from imported pulp, waste paper and bagasse. It has an installed capacity of 24,000 tonnes per annum (tpa). The company has initiated measures to reduce the consumption of imported pulp from around 84 per cent to 40 per cent to 50 per cent. It has set up a pulp mill to manufacture pulp out of bagasse and jute waste and cut its requirement of costly out sourced pulp.

SESHASAYEE PAPER & BOARDS LIMITED: This company manufactures writing and industrial paper and is based on woodpulp and bagasse in a 50:50 ratio. It has an installed capacity of 60,000 tonnes per annum (tpa). They are now increasing their capacity to 1,20,000 tpa in the next two years and is moving towards a mix of 80 per cent bagasse and 20 per cent pulp. This was mainly on account of a sharp fall in prices of industrial paper and writing paper and in the past one year. The company has slashed its dividend rate to 20 per cent from 25 per cent.