

Indian Paper Scenario – June 1998

The newspaper industry urged the Government to immediately withdraw the ten per cent customs duty on newsprint imposed in October 1996 saying it was going through difficult times with declining advertising revenue and sharp rising costs. This demand was made by a delegation of newspaper barons and publishers who met the Prime Minister Atal Behari Vajpayee. The delegation highlighted the fact that the effective customs duty had already gone up because of sharp depreciation in the value of the rupee and the increase in the international price of newsprint by over 30 per cent. The government while levying the duty, had given a commitment that it would withdraw the customs duty when the international price of newsprint crossed US\$ 575 per tonne. Now, the price is around US\$ 600 per tonne and, therefore, the Government should honour its commitment and withdraw the duty immediately. As newsprint accounts for 50 per cent of the total cost, the present 10 per cent customs duty on newsprint is becoming unbearable and has already had its averse impact on all categories of newspaper both big and small.

The sob story scripted by the Indian Paper industry for the past two years is reaching a predictable climax. The heroes of the 90,000 million domestic industry pulped at the market place by cheap imports are bleeding red and several have reported losses for the last fiscal. For instance, Tamil Nadu Newsprint and Paper Mills Limited, one of the premier mills in the country, for the first time in its history posted a loss of 35 million on an increased sales of 4210 million. The basic tenet, anything that goes up has to necessarily come down, is amplified by the paper industry. After the hay days of 1995, when the industry with gay abandon hiked the prices of printing and writing paper thrice and got away with that and not to mention about the periodical increase in newsprint prices.

Today the industry is a soiled one. Thanks to the Centre which put newsprint imports under Open General Licence (OGL); reduced the import duties from 65 per cent to 20 per cent on PWP in 1995; abolished actual user condition for newsprint imports. These measures paved the golden path of imports for the user industry. However the Centre, heeding to the cries of the industry reimposed the actual user condition and slapped 10 per cent duty on newsprint imports. But the damage has already been done as can be seen by the results cleared by couple of paper companies. Adding to their woes is the general economic recession affecting the retail demand for PWP, forcing them to reel off sob stories and sop pleas to the Centre and finally wipe the tears off with their unsold paper stock.

On paper, Budget 1998 has had a mixed impact. While import duties on paperboard and filter paper have been raised, the basic duty on standard newsprint has been cut by half. But it is the latter – along with the 08 (this has now been reduced to 04 per cent) per cent Special Additional Duty (SAD) on intermediaries used in the manufacture of paper – that has hit the papermakers where it hurts. The provisions of Budget 1998:

Basic Customs duty on paper and paperboard raised from 20 to 30 per cent.

Basic Customs duty on the filter paper raised from 20 to 30 per cent.

Duty on light-weight coated paper weighing up to 51 gm per sq. meter for printing of magazines reduced to a uniform rate of 05 per cent.

Basic Customs duty on standard newsprint reduced from 10 to 05 per cent.

Basic Customs duty on glazed newsprint raised from 0 to 05 per cent.

Newsprint exempted from the 08 per cent SAD.

The lowering of the Customs duty on standard newsprint has raised fears that other varieties – like writing paper – will increasingly be imported under the cloak of standard newsprint. At present, newsprint makers are facing with a unique situation: the import duty on raw material, including waste paper, is 18 per cent while that on the finished product is 05 per cent.

The Indian Paper Manufacturers Association (IPMA) is against the Union Government according permission for setting up a wholly-owned subsidiary of Asia Pulp and Paper (APP) in the country. They are the largest pulp producer in Indonesia. It is also the holding company of Sinar Mas Pulp and Paper (India) Limited, which has been given licence to manufacture writing and printing paper of large capacity in the country. Now, APP is stated to be trying to promote a wholly owned subsidiary company to trade in paper. In fact, IPMA is against allowing 100 per cent subsidiaries of any multinational in the country. The association is of the view that multinationals are capable of amalgamating and hiding financial losses incurred by their Indian operations into the books of accounts of their worldwide operations, thus, giving them flexibility in pricing either raw materials or finished goods.

BALLARPUR INDUSTRIES LIMITED: This company is reportedly negotiating with the West Bengal government for reopening its unit in Calcutta. The division is under 'work suspension' since February 1997. BILT has been asked by the state government to submit a proposal for a possible reopening of the unit. However, the company is yet to come out with the terms and conditions. The division, which was originally a separate company – Bengal Ingot Company Limited, was merged with BILT in 1989 following an order from the Board for Industrial & Financial Reconstruction.

SUNDARAM MULTI PAPER LIMITED: This company has drawn up a 150 million diversification plan by launching laminated cover in original TK cartridge of paper 3-A and 4-A size. This paper is being manufactured at its plant in Palghar, where the main line of production is note books, drawing books, fullscap books and paper stationary. The company is also expanding its production capacity from 13 tonnes to 20 tonnes per day. The cartridge books are used by students for drawing, calligraphy and technical subjects. The company sources estimate that about 50 tonnes of this paper will be used captively. The exports are directed mainly to South Africa, Gulf countries and USA. The company is widening its distribution base in Andhra Pradesh. It has a strong presence in Maharashtra and Gujarat.