

Indian Paper Scenario – July 1998

The paper industry, for last two years, has been passing through an unprecedented crisis as the demand remains low and the economy sluggish. Saddled with intensified competition and rising imports, paper products are forced to offer hefty discounts. There were two major announcements in the Union Budget 1998-99. The hike in the basic custom duty on the paper and paperboard by 10%, along with across the board imposition of 4% additional duty is likely to give a sigh of relief to the paper industry. On the other hand lower duty on the newsprint imports is likely to adversely affect the already languishing newsprint segment. Companies which are dependent on the imported pulp and waste paper are likely to be less benefited, as the cost of their inputs would also increase. In retaliation paper manufacturers have decided to raise the prices of industrial grade kraft paper by Rs. 1,000-1,500 a tonne with immediate effect. This decision was taken by the representatives of paper manufacturing units at Vapi recently.

During the regime of the previous government the import duty on finished commodity of paper was reduced from 40 to 20 per cent, thereby encouraging the import of finished goods. The Indian manufacturer, mainly in the small and medium scale, had to compete with the International giants. Added to this, the Union budget 1998-99 has hiked the import duty on waste paper, which is the major factor contributing to the overall manufacturing costs. The newsprint industry has suffered badly ever since newsprint was put under Open General License (OGL). Though domestic manufacturers have hiked their prices by Rs. 3,500/MT in the last three months on the back of rising landed cost, the industry is facing a hard question of survival with the recent reduction in import duty. The Indian Newspaper Society (INS) has asked the Ministry of Information and Broadcasting to withdraw the duty on glazed newsprint, waive the customs duty on the newsprint and provide relief from the increased parcel rates for dispatch of periodicals.

Research is going on banana fibre to be used by the paper industry. For this a techno – economic feasibility study of the fibre utilisation for paper and board production has been undertaken by the M. Visvesvaraya Industrial Research and Development Centre, Mumbai.

Thrust of the research is two-fold. First design and development of machines for the extraction of banana fibre and second development of hand made paper and boards in blend other materials such as jute and colour rags.

ITC BHADRACHALAM LIMITED: ITC along with its subsidiaries is likely to acquire a controlling stake in ITC Bhadrachalam Paperboards Ltd. (ITC-BPL) by hiking its holding from 37 per cent to 51 per cent. ITC has agreed in principles to pump in funds to the tune of around Rs. 1740 million into ITC-BPL which has incurred a loss of Rs. 490 million for the year ended March 1998.

MYSORE PAPER MILLS LIMITED: They are implementing a Rs. 2200 million corporate plan to expand its sugar capacity, become self sufficient in power and buy new equipment. Industrial Finance Corporation of India will finance 75 per cent of the investment and the rest will come from internal accruals. A plan to install a new printing paper machine is also on the anvil. The machine will have a capacity of churning out 100-200 tonne of paper per day and the company will call for tenders in near future. This mill has an installed capacity of 75,000 tonne of newsprint and 30,000 tonne of writing and printing paper per year. The company netted Rs. 3.1 million in the last financial year. The Chairman and Managing Director of the company Mr. Gangadharrappa said

that average realisation of the newsprint which went down from Rs.22,000 to Rs. 22,000 in one year has dulled the business. The company recorded a turnover of Rs. 2800 million in the year ending March 31,1998.

PUDUMJEE PULP AND PAPER MILLS LIMITED: This company has reported an eight per cent increase in net profit to Rs.101.3 millions in 1997-98 from Rs. 93.6 million in 1996-97. Total sales declined four per cent to Rs. 1371.8 million from Rs. 1426.3 million. The company has maintained dividend at 25%. The Rs. 600 million expansion project is running according to schedule.

SINAR MAS PULP AND PAPER LIMITED: The Indonesian paper giant Sinar Mas is planning to set up a 100 per cent owned subsidiary in India to take advantage of the four per cent duty exemption for trading companies. The domestic paper industry has protested against the move. They have pointed out to the government that the Sinar Mas Group enjoys clear advantage over Indian Manufacturers since there are numerous concessions for wood and paper industry in Indonesia, and therefore has access to cheap raw materials. Sinar Mas operations in India are handled by a separate company, Sinar Mas Pulp and Paper, which is operating in the areas of printing and writing paper. Sinar Mas operations are capitalised at Rs. 3210 million and is reportedly making losses as of now. From the FDI point of view, it represents a lucrative proposition since it is making losses, but will capitalise it by pumping in fresh funds and boosting foreign investments.

SIRPUR PAPER MILLS LIMITED: It proposes to sell its R&D centre and its paper mill manufacturing machinery at Balanagar to ease out the company's long term working capital requirements apart from facilitating expansion, upgradation and modernisation of the plant and machinery.

SESHASAYEE PAPER AND BOARDS LIMITED: This company has tied up term loans worth Rs. 1460 million from banks and financial institutions. The company has initiated a massive capacity expansion to increase the installed capacity from 60,000tons per annum to 1,15,000 t.p.a. For this the construction is in full swing. The trial production would commence between January- March 2000. For 1997-98, SPBL posted a pre- tax profit of Rs. 26.8 million.

TAMIL NADU NEWSPRINT AND PAPER LIMITED: The duty reduction from 10 to 5 per cent announced in the recent budget has put TNPL in the dock. Imported newsprint has now become cheaper by Rs. 1050 a tonne. Having reported a loss of Rs.35.7 million on a turnover of Rs. 4210.2 million in 1997-98 they are leaving nothing to chance. Reducing the cost of production and energy consumption are the two major areas on which TNPL is concentrating.