

Indian Paper Scenario – February 1999

The PHD Chamber of Commerce and Industry (PHDCCI) has called for a total abolition of customs duty on waste paper as the marginal revenue loss will be more than offset by the increase in revenue from excise. Since the country does not make strong packaging paper, the industry uses indigenous waste paper and agro-based material. The dependence on imports therefore will remain a compulsive measure. Relief in customs duty is therefore a basic necessity for the sustenance of these units. Currently, more than 100 units are lying closed with an installed capacity of around 0.5 million tonnes, and all these mills can be revived if raw material is made available at competitive rates. It is a well-recognised fact that use of waste paper is non-pollutant, and consumes minimum quantities of valuable infrastructural sources like water, power and coal. In a pre-budget memorandum presented to the government recently, the chamber has said that there is shortage of newsprint in the country, which is being met through imports. The problem of shortage can also be substantially solved by increasing the manufacture of newsprint by using waste paper. This will also result in saving foreign exchange by reducing dependence on newsprint imports.

With greater emphasis on the use of waste paper, more systematic steps would be taken for the collection of these raw materials from indigenous sources. In the process, maximum quantities of waste paper will be diverted for the manufacture of paper, and its unhygienic use for carrying and packaging of food items would be avoided, says the pre-budget memorandum. PHDCCI has therefore suggested that a suitable policy decision be taken in this matter. Stressing the need for the abolition of Sales Tax on purchase of waste paper, the memorandum states that the payment of Sales Tax of waste paper transactions creates an inequitable situation as compared to that on forestry and agro raw materials. The economic viability of the units using waste paper is thus adversely affected owing to higher input costs. The small paper mills were brought into existence through specific government policy in the late 1960s, in order to create another avenue of paper production based on non-wood raw material. This segment of the industry has shown remarkable progress and presently accounts for nearly 58 per cent of the total production.

Spot prices for North American market pulp were mixed during this month, as hardwood grades moved upward, while softwood prices continued to suffer from an over-supply problem, analysts and traders said. Spot prices for benchmark northern bleached softwood kraft pulp are mostly in the range of US\$ 420-US\$ 4400 a ton., although sources noted a smattering of prices both above and below this range. Traders said dealings remain relatively quiet, with the pulp market still in its low season. Traders said demand for NBSK had picked up in Asia, as the Chinese have returned to the market after a typically long absence. However, cheap softwood supplies entering the Asian market from Scandinavia are weighing down prices. The market was sufficiently soft to prompt Weyerhaeuser Company (WY) to announce this week a \$15 discount on its North American list price for NBSK of \$500 a tonne.

BENGAL PAPER MILLS COMPANY LIMITED: The Board for Industrial and Financial Reconstruction (BIFR) has drafted a 246.70 million rehabilitation scheme for this 90 year-old paper mill. The cost of the scheme, spread over till 2001, will include a capital expenditure of 185.40 million to overcome the various deficiencies in the Public Limited Company's Raniganj plant, near Calcutta, and to install a new boiler which will make it self-sufficient in power. The bulk of the expenditure will be made in the first year of the

finalisation of the scheme, which is expected by the end of this calendar year. The company set up in 1890, manufactures writing and printing paper. One of the earliest paper mills in the country, it became sick and was closed down in 1983 by the then management belonging to the Bangurs. The closure was on account of labour trouble, which had reportedly started due to the management's efforts to reduce surplus staff at the mill.

SESHASAYEE PAPER AND BOARD LIMITED: This company has decided to raise a 1460 million long term loan after its equity -expansion plan was scuttled by financial institutions. The 1370 million paper maker sought shareholders permission for the move at its extra-ordinary general meeting held on February 27, 1999. Company sources said Industrial Development Bank of India, UCO Bank, State Bank of India and Central Bank of India have promised loans of 800 million, 300 million, 250 million and 110 million respectively. The money, they said, will finance the company's ongoing 2220 million modernisation project. Seshasayee's plan to raise money by issuing preferential shares to promoters was rejected at its last annual general meeting by financial institutions which, along with banks, hold 38.90 per cent in the company.

WEST COST PAPER MILLS LIMITED: This company has reported a net profit of 40.20 million for the third quarter ended December 31, 1998. It is a 71.47 per cent increase over the previous year's third quarter profit of 23.50 million. Despite poor market conditions, the company has managed to perform well by reducing input costs and stabilising its bleaching plant. The company's net sales during the quarter has also gone up to 813.80 million against 754.90 million in the third quarter of previous financial year. Other income too has gone up from 15.90 million to 19.60 million.