

Indian Paper Scenario – March 1999

The Indian Agro Paper Mills Association (IAPMA) has asked the government to increase customs duty on paper and paperboards to 40 per cent in the 1999-2000 Union Budget to prevent large-scale imports into the country. In its pre-budget memorandum to the finance ministry. It said that lower import tariffs have encouraged foreign manufactures to dump their material in the domestic market affecting the economic viability of local mills. The IAPMA President, Mr. Pramod Jain said that the hike in the customs duty to 30 per cent from 20 per cent in the last budget has not been able to prevent clandestine imports. Absence of testing facilities at ports makes it difficult to identify the exact grade of paper thus allowing importers to take advantage of lower customs duty, he said adding that it meant revenue loss to the government also. While waste paper is levied a concessional customs duty of five per cent, paper containing 70 per cent or more of mechanical wood pulp attracts nil duty. Substantial price difference between imported and indigenous paper besides excess production in the world market have also affected units which have undertaken modernisation and expansion programmes.

IAPMA Secretary General Mr. P G Mukundan said that the government should change definition of waste paper to allow only actual users of paper to import waste paper and withdraw permission for import of paper reels. Waste paper was being imported by traders in the name of finished paper taking advantage of the concessional customs duty against which domestic producers cannot compete in a time of demand recession, he claimed. Agro paper Mills in the North have gone on a week's closure to draw attention to the crisis, he said, adding that the forthcoming budget would hopefully address their problems. Although the government had recommended imposition of anti-dumping duty on newsprint, it has not been imposed till date. He added that the four per cent additional customs duty on paper and paperboard should be extended to traders also so that a level playing field is provided to the domestic industry. On the excise, the association has asked that mills using unconventional raw materials should be levied a five per cent duty regardless of their production levels.

The Association urged that the Government needs to provide a long term fiscal policy for excise duty on paper made out of non-conventional raw materials and a uniform five per cent duty should be made applicable. The Government now charges five per cent excise duty on imports up to 15,000 tonnes and eight per cent excise duty on paper beyond 15,000 tonnes. IAPMA also asked for reduction in customs duty on raw materials and intermediaries used by the paper industry which is at present as high as 40 per cent. The excise duty exemption given to kraft paper meant for manufacture of cartons should be confined to mills using agro residues and waste paper, Mukundan said, adding that not only would it provide concession to the non wood-based paper units but also control deforestation. With paper mills having a high content of effluents, its treatment on plants should be exempt from excise duty to boost pollution control. It also recommended setting up a modernisation fund with any of the financial institutions for the paper industry through which concessional loans can be provided for modernisation and technology upgradation. The association has also asked the government to increase the duty drawbacks for export units to 10 to 20 per cent from the existing level of two per cent to encourage exports of paper products from the country.

The rationalisation of the excise duty has narrowed the difference between the large wood-based paper mills and the small agro-based paper manufactures to a mere a eight

per cent. According to Industry sources, most of the small units are already on the verge of closure and their plight will be very worse in the post-budget scenario.

Anomalies in the paper import policies and loopholes in the monitoring system have dealt a blow to the domestic industry, feel paper manufactures. The Indian Paper Manufacturer's Association has submitted a study to the government pointing out discrepancies in the present laws and suggested ways to overcome them. The association believes that if the suggestions are implemented, then most of the problems facing the paper industry will be solved. The Association said that the paper which should have actually been imported by paying 30 per cent import duty, is sold in the market at low prices making Indian Paper incompetentive.

At present there is no specific definition for glazed newsprint. IPMA fears that without clear-cut parameters, and at zero per cent import duty, it can open up gates for import of other varieties of paper specially coated ones. It suggests that glazed newsprint should have all parameters as per standard newsprint. It should additionally have high gloss or polish not less that 70 per cent through friction, glazing, calendering, plating or drying on a yankee dryer without coating.

ANDHRA PRADESH PAPER MILLS LIMITED: This company is planning to raise Rs. 140.60 million through a right issue, proposes to utilise the amount for modernisation and increasing cost-effectiveness of its operation. The company has been planning a 1:1 rights issue at a premium of Rs. 150 per share. According to sources, the application for the rights issue which is pending with the Securities and Exchange Board of India is expected to be cleared soon.

BHADRACHALAM PAPER BOARD LIMITED: A division bench of the Andhra Pradesh High Court directed this ITC company to refund Rs. 37 million to the State Government towards sales tax dues. The bench made the order on writ petition filed by the state government against the orders passed by the Commissioner and Additional Commissioner of Commercial Taxes, allowing the company a refund of Rs. 37 million towards the Tax collected under the Central Sales Tax Act and the impugned direction was illegal. The bench accordingly directed the company to refund the amount directed to be paid to it.

HINDUSTAN PAPER CORPORATION LIMITED: This company's impressive show till January this year has raised hope that the public sector paper-making company will end the year by broadly fulfilling all the commitments made under Memorandum of Understanding (MoU). The company had signed MoU with the ministry of industry in the beginning of the current year. The company's April 1998-January 1999 results show that it had earned a net profit of Rs. 34.1 million against the target of 13.4 million as given in the MoU.