

Indian Paper Scenario – April 1999

The paper and pulp industry's demand for forestland on lease, to enable them to meet their raw material needs, has been turned down by a working group of the Planning Commission. The group has, however, suggested that non-forest barren land could be handed over to the industry for reclamation and subsequent gainful use for producing their raw material. It has also suggested that the industry could establish links with farmers interested in farm forestry or with owners of uncultivated waste-lands for the purpose. The bulk of such land is with affluent farmers who are market-oriented and would be willing to raise plantation suiting the industry's requirement. They would even be willing to grow teak wood if the laws were amended to allow felling of teak trees on private land and transporting them to the user factories. The industry has been demanding forest land on lease either directly or through the forest development corporations to meet their raw material needs. Its total requirement for land is estimated at around two million hectares. It may be degraded forest land but should have deep soil of at least one million to be able to produce wood in commercially sustainable manner. The industry had argued that while the government has wastelands but lacks funds to upgrade them, the industry had both capital and technology.

The imposition of 10 per cent surcharge on imports has come as a blow to the waste fibre paper manufacturers as the sector is heavily dependent on raw material imports. The All India Small Paper Mills Association (ISPMA), at a recent meeting pointed out that out of the three categories of paper being produced in the country, waste fibre paper manufacturers are the only ones who have to depend on raw material imports. As manufacturing of paper out of waste fibre requires relatively lower levels of inputs of scarce material like power, coal and water. They say that it is very difficult for small manufacturers to dole out 9.7 per cent (basic duty 5 per cent plus SAD 4 per cent plus 10 per cent surcharge) of the total value of imports as customs duty. Besides competition from agro and wood paper manufacturers, they have to deal with the unfair competition posed by foreign paper which is imported into the country in the guise of newsprint. Unable to cope with high cost, more than 100 small units have already closed shop. If more closures are to be prevented then the Government should wake up to their needs, they added.

The 103 years old Indian Paper Makers' Association of Delhi and the 63 year old Indian Paper Mills Association of Calcutta announced their merger. This will enable the domestic paper industry to strengthen its representation for addressing various related problems and issues. The two major representative bodies of the Indian Paper Industry have come together to form a common platform-the Indian Paper Manufacturers Association. Addressing the first general body meeting of the newly formed Indian Paper Manufacturers Association, its President, Mr. Harsh Pati Singhania, Deputy Managing Director, J.K. Corp Ltd. said that the new association would endeavour for very close co-operation with the Government, other industry associations and consumer bodies in articulating its strategies for the future of paper industry, which, in recent times, has been grimly fighting for survival. To tide over the recession, the new association will address three issues facing the industry. First, the need to create a domestic resource of raw material by involving the corporate sector and the community at large in afforestation of degraded forest lands. Second, establishing monitoring mechanism for curbing non-genuine imports of paper and newsprint. The third area of priority is restoring light-weight coated paper as part of paper for import duty treatment. The association will

focus on critical issues which have been plaguing the paper industry. It will work towards curbing the use of newsprint for non-newsprint segments such as lottery tickets, bus tickets and novels.

HINDUSTAN NEWSPRINT LIMITED: This company at Vellor, near Kottayam in Kerala has made a significant comeback by raising its net profit to Rs. 180 million during 1998-99 from the Rs. 23.50 million in the previous year. During the last fiscal, the company had achieved 106 per cent capacity utilisation raising the production to 105570 tonnes from the 85038 tonnes produced during 1997-98. The sales turn-over thus went up to Rs. 2210 million from Rs. 1897.20 million.

PAPER PRODUCTS LIMITED: This company, which is engaged in the flexible packaging segment has done well to consolidate its position in the industry by adding more capacities through phased expansions. The company has one fully integrated manufacturing complex at Silvassa, where capacities are being added up in phases. Also they have a unit in Nagpur for extrusion coating and converting paper. The recent currency meltdown experienced by the South East Asian countries worsened the scenario on the exports front for the company.

SESHASAYEE PAPER AND BOARDS LIMITED: This company is likely to complete its Rs. 2220 million expansion programme well ahead of schedule and commence new production by October 1999. The company has however deferred to a more favourable time, the decision to put up an 18.5 MW biofuel based power plant. Consequently, the Rs. 300 crore preferential share to part-finance the paper project has been kept in abeyance for the present. The company is now concentrating on doubling its production capacity from 60,000 tonnes. As part of its expansion programme, the company is focussing on environmental concerns and putting in place equipment to process its emission and effluents. To this end, a secondary water treatment plant is being installed to enable the effluent water to meet river standards.

TAMIL NADU NEWSPRINT AND PAPERS LIMITED: The Centre is considering the proposal of this company to test-run the ailing Mandya National Paper Mills Limited, a wholly-owned subsidiary of Hindustan Paper Corporation Limited. TNPL was approached by Hindustan Paper after Indian Granite Private Limited, which expressed interest in buying Mandya, failed to put in the token credibility amount of 2 million. When the privatisation attempts failed, the company approached to give a proposal for Mandya. TNPL proposed to test-run the units for one year before taking it over. At present, the proposal is being considered by the Government and the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) but nothing has been finalised yet.