

Indian Paper Scenario – March 2000

The rationalization of the excise duty on paper in the recent Budget has added to the woes of the paper cone and tube manufacturers, who have been hit hard due to the steep increase in the paper prices by the mill sector. Condemning the 10 to 15 per cent hike in paper prices as totally unjustified and demanding that the supply be made at the basic rate only, the South India Paper Cones and Tube Manufacturers' Association (SIPCTMA) has taken an unanimous decision to resist the hike by the paper mills. Mr. A. Rangappa, President, SIPCTMA, said that the paper board manufacturers will be persuaded to charge the rate prior to the Budget until the entire exercise is complete. He added that the Government's objective was defeated in the rationalization of the excise duty as the benefit was not passed on to the user-industry. He explained that while the paper mills could avail themselves the excise exemption up to 2,500 tonnes, this duty was being charged by the mills on the basic price. As a result, the price of the paper soared and the duty not modvatable. The paper cone industry faced stiff competition from their counterparts in the North in terms of pricing.

The president of the Indian Paper Manufacturers' Association (IPMA), Mr. Harshpati Singania, has welcomed the steps initiated by the Government, particularly for simplification of excise and customs tariff structure by reducing the number of applicable rates. It is a precursor to the proposed implementation of full VAT by next year. However, the exact implications of this for different segments of the paper industry will have to be examined in further detail. IPMA has also welcomed decisions, such as, fortnightly payment of excise duty and computation of excise duty based on manufacturers' records with effect from July 1, 2000. Mr. Singania said that maintaining statutory records exclusively for excise purposes was an unnecessary hassle for assesseees and should have been given up long ago. The liberalization of Modvat by allowing full availment of CVD credit for project import was a step in the right direction. However, availment of Modvat on capital goods will now be spread over two years, affecting the industry adversely, he added. The paper industry has hailed the proposal regarding inclusion of trade for applicability of SAD. However, it appears that a long standing demand of the industry for one single rate of customs duty for all varieties of paper has once again not found favour with the Finance Minister as there appears to be no change in the existing 5 per cent customs duty for Light Weight Coated (LWC) paper. Moreover, the industry feared that an increase in the customs duty on waste paper would adversely affect a large section of indigenous producers especially in a fibre deficit country such as India. The industry expects the increase in outlay for the education sector, coupled with the 7-8 per cent anticipated growth in the economy, to have a positive impact on demand growth for paper, which will help the industry in its recovery cycle.

The Commerce Ministry has recommended definitive anti-dumping duties on Thermal Sensitive Paper (TSP) originating from Japan and the European Union. The two supply bases account for more than 80 per cent of the country's imports. TSP is also used in ECG machines, cash registers and CAD/CAM registers, apart from fax machines. The anti-dumping levy on TSP from the European Union has been fixed at Rs. 1.84 per sq. metre while imports from Japan will face a burden of Rs. 1.62 per sq. metre. However, TSP exported by Germany based Mitsubishi Hitec Paper would be subject to a lower duty of Rs. 1.61 per sq. metre, on the basis of exporter-wise assessment made by the directorate general of anti dumping and allied duties, which functions under the commerce ministry. Sources said that the TSP case is one of the few in which EU has

been taken as a single entity instead of proceeding against individual members. Prior to launch of the anti dumping investigation, Japan accounted for around 47 per cent of the country's TSP imports and EU accounted for 42.70 per cent. Since Shree Krishna Paper Mills and Industries is the only producer of the product in India, imposition of the levy is likely to have a significant impact on consumers.

The anti-dumping investigation on the import of TSP followed a petition filed by Shree Krishna Paper, which enjoys monopoly position in the domestic market. Import of TSP in 1997-98 was 1142.80 million sq. metre. The commerce ministry has forwarded its findings to the finance ministry, which is likely to issue a formal notification soon. As there are no customs barriers within European Union, the anti-dumping duty has been made applicable to all EU members. The dumping charge, however, pertains mainly to Germany and Sweden. Though Finland was included in the investigation, imports from that country have dried up subsequently. The All India Thermal Papers Dealers Association opposed the imposition of anti-dumping duty on TSP. They said domestic produce could command a higher price but for inconsistency in supplies and lack of a sales network. They also said that the only domestic manufacturer is unable to maintain supplies even after imposition of provisional anti –dumping duties. Besides, imposition of duty would lead to an increase in prices. The Directorate of Anti Dumping and allied duties, after considering all representations, concluded that TSP originating from the EU and Japan was exported to India at less than market value. Domestic industry has been affected by such imports.

JK PAPER LIMITED: This company has kicked off online sale of its paper through www.jkpaper.com. The web site is designed to reach out to consumers through the innovative 'paper at your doorstep' programme which promises delivery of JK paper to the customer within 72 hours. However, online sale is not meant to replace the conventional sale method. The company has appointed Rediff as its technical advisor and for design. The actual transaction – right down to delivering the order – will be handled by JK paper. The site targets both B2B and B2C transactions. Although the e-commerce activities are currently meant for Delhi only, the company is expanding its reach to other cities like Chennai, Mumbai, Calcutta, Bangalore and Hyderabad soon. The company has kicked off the site with the sale of A4 category of paper initially, but will expand the service to other size and categories of paper. They also intend to put the other products like JK copier, JK Laser and Elnesse online soon.

SIRPUR PAPER MILLS LIMITED: This company has registered an increase of 445 per cent in its net profit for the third quarter of the current fiscal. The net profit of the company, during the period, stood at Rs. 44.20 million as compared to Rs. 8.10 million in the corresponding period last year. The company has posted a turnover of Rs. 340 million and other income of Rs. 28.70 million during the third quarter of the current fiscal. The company has completed an inventory of paper and board, which has been valued at cost price instead of at market rate resulting in a decrease of profit by Rs. 5.20 million in the current quarter.

TITAGRAPH PAPER MILLS LIMITED: This company is planning to negotiate with domestic and foreign financial institutions to finance the Rs. 1000 million revival plan. A number of FHs and domestic companies have shown interest to enter a strategic partnership with TIL to revive the paper mills. TIL, which had appointed Ernst & Young to find a buyer for the second mill, closed since last eight months was now anxious to restart operations in the mill and revive both the units of Titagraph Paper Mill. The

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company is also holding talks with the banks for large financial assistance for the paper division. The revival plan for both the mills, pegged at Rs. 1000 million, includes competition of commissioning of balancing equipment at the delinking plant mill number one and installation of a machine which would raise the combined capacity to 1,75,000 tonnes of paper from the current 77,000 tonnes per annum.