

Indian Paper Scenario – May 2000

Indian Agro and Recycled Paper Mills Association (IARPMA) has criticized the government's move to levy a higher excise duty on non-wood-based paper mills, saying that it threatens the survival of over 500 papers mills in the country. IARPMA, the representative body of non wood based paper mills in the country, wants the proposal to be dropped and, instead, some excise concessions be granted to the industry. Earlier, the non-wood based papers attracted no excise duty. But, since last three years, they have been subjected to a levy of 8 per cent, which was raised to 16 per cent under the budget proposal, making it a uniform level for both the non-wood-based and wood-based papers. Besides, IARPMA says, the duty exemption given to the industry towards an initial clearance of 2500 tonne in a financial year is also not logical because even the Union Industry Ministry estimates that, to become economically viable, the non-wood based units should have a minimum capacity of 3300 tonne. The industry, therefore, demands that either the non-wood based paper be fully exempted from the duty or at least the exemption limit be enhanced to cover 33000 tonne capacity and the existing level of 8 per cent excise duty should be allowed to continue. IARPMA also wants the wood based and non-wood based papers be grouped into distinct categories.

The Designated Authority in the Commerce Ministry has recommended anti-dumping duty on imported black and white photo-graphic paper, both resin coated and fibre-based originating in or exported from the U.K., France and Hungary below normal value, resulting in dumping with concomitant material injury to indigenous industry. Accordingly, it has been recommended that anti-dumping duty be imposed on the exporters from the United Kingdom on black and white photographic paper.

The promoters of Kagaz.com, a portal dedicated to the paper industry, have decided to off load 30 per cent of their equity to venture capital funds as part of first round of funding. The company is in consultations with several merchant bankers after which a final decision will be taken shortly. The portal developed by Eco Media Infosystems, is equipped to execute transactions online although e-commerce laws will have to be in place for effecting the transactions. Mr. Vikram Somani, Managing Director of Kagaz.com is targeting the Rs. 60,000 million paper industry which has just come out of the recession after four years. The portal, apart from acting as a valuable tool for effective trading between dealers, will also be a site for buyers and sellers of equipment for the capital-intensive paper industry. Explaining the opportunities ahead, Mr. Somani said due to the very nature of the paper industry, it is very difficult to manage the inventories in a very precise way and companies end up with surplus stocks or are unable to supply due to shortage of stocks. He said the portal will provide a more effective inventory management for all major paper manufacturers. As part of major exercise to link up with the dealers and paper manufacturers, the company is in the process of connecting all companies and their factories online which will improve the inventory management. The warehousing linkage will facilitate e-commerce in paper and paper related products and Kagaz.com is actively pursuing this route. EcoMedia infosystems is currently on its way to appoint various franchises to facilitate e-commerce. The portal has already received on-line responses both from the domestic and overseas markets such as Africa, Sweden and Singapore.

The South India Paper Cones and Tubes Manufacturers Association (SIPCTMA), while condemning the price hike effected by the various paper mills in the State, has unanimously adopted a resolution to procure raw material from upcountry markets,

where the basic price was quoting much lower. Alleging the price hike as 'steep and disproportionate to the input cost' Mr. R. Rangappa, President, SIPCTMA, said the paper mills in Tamil Nadu hiked the mill-board price by Rs. 2,500 per tonne, while the same material was available at a much lower price in the neighbouring states. Stating that it would be unviable to operate at the existing rates, Mr. Rangappa said the members resolved to procure their requirements from other parts of the country. At a special meeting convened by SIPCTMA in Coimbatore, Mr. Manish M.Patel, Joint Managing Director, South India Paper Mills Limited, while ruling out any reduction in their rates, said the government policies and international market trends affected the industry very badly. The price of imported mixed waste had shot up by US\$ 100 in the last six months and was quoting around US\$ 165 per tonne. Apart from the high import cost, the domestic tariff structure such as the change in the excise duty rates, introduction of new slabs etc., also had a bearing on the cost of production. While suggesting to the paper cone manufacturers to look for intermediary material in the place of mill boards, Mr. Patel hinted that paper mills were planning to phase out manufacture of mill boards in the next two to three years.

BALLARPUR INDUSTRIES LIMITED: This company will soon take up the second phase of restructuring, aimed at increasing its pulp capacity. In the second phase, the company's industrial paper division at Ashti, Maharashtra will be transferred to AP Rayon (APR) while the latter's pulp manufacturing facility at Kamlapuram in Andhra Pradesh would be transferred to the company. The increased pulp capacity would enable BILT to improve its operational efficiency and augment its paper capacity at a minimum capital investment, stated Duff & Phelps credit rating India. The L M Thapar group company recently hived off its non-core businesses including glass, oil and chemicals into separate companies for a better strategic focus. To fund the first phase of restructuring, BILT has raised Rs. 150 million in short term debt from the market. DCR India said in its report that BILT has successfully established raw material linkages over the years and this mitigates supply risk, resulting in a competitive advantage for the company.

CENTRAL PULP MILLS LIMITED: The company, belonging to J.K. Group, has announced a huge increase in its net profit for the nine months ended March 31, 2000. The net profit stood at Rs. 74.70 million as against Rs. 11.20 million in the corresponding period of the previous fiscal. Sales turnover increased by 16 per cent at Rs. 1020 million and operating profit by 48 per cent at Rs. 188.40 million. Production went up by nine per cent.

PAPER PRODUCTS LIMITED: This company has chalked out a Rs. 300 million expansion plan aimed at creating additional manufacturing capacities for flexibles and labeling materials. The company plans to set up a modern wide web high-speed printing and conversion line at Hyderabad at an outlay of Rs. 250 million. This will be supported by additional image processing and gravure cylinder manufacturing capacity. The company also plans to overhaul its existing printing lines at the Thane and Silvassa plants at an estimated capital expenditure of Rs. 50 million. The new manufacturing facilities are targeted for commercial operations by the end of 2000. The new production line is designed for quick-job change overs and is compatible with efficient production of short runs, thus leading to lower wastages in terms of time and money. The company has set for itself quarterly targets to introduce new packaging materials in each of the business segments that it operates in after the new facilities start commercial production.

SREE SAKTHI PAPER MILLS LIMITED: The company, manufacturers of duplex board, grey board, coated board etc., has taken steps to expand its production capacity to meet the growing demand of the packaging industry in the South. Currently, the company is producing paper and paper boards up to 85 tonnes per day at its two units in Chalakkudy and Edayar, which will be increased to 115 tonnes per day by 2001. The Rs. 360 million company is currently catering to multinationals such as Coca-Cola, Pepsi and the public sector Hindustan Newsprint Limited and several match factories in Sivakasi. It started commercial production in April 1993 at Edayar factory with a daily production of 15 tonnes. To avoid water pollution in the adjacent areas, the mill had adopted waste paper recycling technology at both units. The company has also attained zero discharge of effluent water by recycling the entire water discharge through Merk Save-All system and also uses the recycled water in production process.