

Indian Paper Scenario – March 2001

The Indian Agro and Recycled Paper Mills Association has expressed reservations over some of the proposals of the Budget, which are seen as not doing enough for the growth of the industry. According to its President, the Budget would become an engine for economic growth provided what has been thought of and brought out in it were implemented in true spirit. More concessions should have been given for industries, which are based on agriculture on the lines of the food processing industry. However, it is to be appreciated that the Finance Minister has addressed the problems of infrastructure in the rural areas and provided for its development. The fundamental aspects of the economy as a whole has not been considered in respect of the number of raw materials and input related issues. The matter of imports of consumables in large quantity needs to be looked into in depth considering the socio-economic benefit provided by the Indian industry. While the Budget is commendable, the problems of the paper industry has not been considered and no effort has been made to pull the industry from its present negative growth. The industry has been demanding a different rate of duty between the wood-based and non-wood based paper mills and clubbing of these two segments together and imposing a duty of 16 per cent would negate the objective of conversion of "Waste into Wealth" for which the Government has been propagating for the last many years. Further, the Budget is not going to help the paper industry to protect it from the cyclical nature and no measure has been adopted for increasing the demand for the paper. In a country where wood raw materials are in scarcity and agro raw materials are in plenty, the Finance Minister should have provided a differential rate of duty as in the past to encourage non-wood based paper mills in the country. The excise duty on particle board made out of agro residues continues to be exempted, while duty on paper made out of agro residues is equivalent to the duty payable by the wood-based mills. Mr. Jain has urged for a differential rate of duty for the growth of non-wood based as paper mills in the country.

In what is the largest acquisition in the paper industry, Ballarpur Industries has finally clinched the deal to buy paper major Sinar Mas Pulp & Paper India for over Rs. 5000 Million. The move is seen as a precursor to a major consolidation drive in the highly fragmented paper industry. According to company insiders, the deal was clinched through BILTS Holding Company – BILT Holding Company, to buy Sinar Mas equity and plant. The acquisition holds considerable synergies to BILT as they will strengthen their position as the largest paper manufacturer in India. After buying out Sinar Mas's plant near Pune, BILT will increase its market share from 8 per cent to 10 per cent in the industry. Sinar Mas has a capacity of 0.115 Million tonne and BILT 0.25 million tonne. BILT was aiming at consolidating its position in the paper industry and would be looking at other opportunities to buy various paper companies as well. Sources said Sinar Mas's sellout was part of a global decision since the company was understood to be in need of funds. Besides India, its operations span most of Southeast Asia and included two plants in China. Sinar Mas was seen as a threat to the domestic paper industry when they decided to enter India a few years back. However, to Indian paper industry's relief, Sinar Mas never lived up to the threat. The talks between BILT and Sinar Mas for buying were on for quite some time. Sinar Mas was talking to various paper majors for a possible sellout. Sources said the deal was a fallout of Sinar Mas's parent company taking a relook at its global businesses of paper, and deciding on the extent of exposure for each country of operation. That was why, Sinar Mas India, its wholly-owned subsidiary, was looking to divest stake. Since then talks were going on with BILT, which was itself a major name in the writing and printing paper business besides several other

companies. Sources said BILT had been in the process of expanding its capacities to take advantage of the demand upsurge in the paper sector.

The work on the proposed de-inking plant of the public sector Hindustan Newsprint Limited. is going on in full swing and the project will be completed by June 2002, six months ahead of schedule, according to Dr. Vallabh Bhai Kathiria, Minister of State for Heavy Industries and Public Enterprises. Addressing a press conference at Kochi recently, he said that the plant with a capacity of 100 tpd, when completed, would be converting about 140 tonnes of waste paper per day into recycled fresh news-print, thereby, reducing the dependence of forest-based virgin fibre. This would be the first de-inking plant in the public sector and would help to generate job opportunities in the collection of waste paper, he added. Anticipating shortage of forest-based raw materials, which were traditionally from the government-owned forests, he said that Hindustan Newsprint had been propagating its farm forestry scheme through voluntary and non-government organisations in the entire state. So far, the company had distributed 2.5 million pulpwood seedlings to the farmers. This year the target was to distribute 3 million seedlings and it was expected to increase the target to 5 million by 2002, he said. The economic reforms programme and consequent liberalisation policies had brought in acute competition in the paper industry, which had driven the company to plan for technology upgradation and emphasize on information technology. The launching of ERP solutions would integrate all the functional areas of the mill and would arm Hindustan Newsprint with the potential tools to achieve competitive advantage by optional utilisation of machine and materials and ensure satisfaction of the newspaper establishments. Speaking on the occasion, Mr. Raji Philip, Chairman, Hindustan Paper Corporation Ltd., said that plans were also on the anvil for the setting up of a Combined Cycle Captive Power Plant with an installed capacity of 30 MW on BOOT basis using LNG from the proposed LNG terminal to be set up at Kochi. The bids were already invited, but there was an uncertainty on the fuel because of the delay in the setting up of LNG terminal. The company had crafted HNL Vision 2010 through KPMG, a global management consulting firm, and its recommendations of development, diversification and expansion were under consideration to arrive at a road map for a time-bound growth plan in the days ahead. It had produced around 94,000 tonnes of newsprint during the last 11 months of the current financial year and was expected to achieve 105 per cent of its installed capacity, he said. In order to allay the apprehensions of the small and marginal farmers with respect to the marketability of the pulpwood trees cultivated by them, the company launched the 'Purchase at Gate scheme' with effect from August 1998 by which the supplier of raw materials at the company gate gets immediate payment. The scheme had become a resounding success and had provided the needed succour to the harried Kerala farmer rendered vulnerable by the precipitous fall in prices of commercial crops. Around 1,00,000 tonnes of pulp wood had been collected so far under the scheme. The captive plantation scheme launched by the company in the 5,600 hectares of land allotted by the Kerala Government had greened the degraded forest land of the State.

Anti-pollution watchdogs have threatened to move court to restrain authorities of a paper mill in Assam from releasing toxic effluents into water bodies, besides emitting hazardous gases. The Nagaon Paper Mill at Jagiroad, 56 km east of Guwahati, has come under fire from both people residing in the periphery of the mill and the Assam Pollution Control Board (APCB) for allegedly not adhering to stipulated anti – pollution guidelines. According to APCB, the Paper mill has been causing both air and water

pollution and the effluents discharged is actually harmful to the area as it flows into a local river called Alenga public complaints.

ANDHRA PRADESH PAPER MILLS LIMITED: APPM, the Rajahmundry based Rs. 2700 – million company, jointly owned by the Kolkata based Bangur group and the Andhra Pradesh Government , is all set to merge with Coastal Papers Ltd. (CPL), another Rajahmundry – based Rs. 710 million paper and paper products company. APPM has acquired an equity holding of 71 per cent in Coastal Papers. Having acquired 3.06 million equity shares of CPL, representing 51 per cent holding from its promoters at a price of Rs. 60 per share during September last, the company made an open offer to the CPL shareholders for acquiring another 20 per cent stake in terms of SEBI guidelines.