

Indian Paper Scenario – June 2001

The Indian Paper Manufacturers Association (IPMA) is now a combined lot. What previously was a fragmented club has now unified into a single entity, with over 35 members in its fold. With big names like Ballarpur Industries (BILT), Tamil Nadu Newsprint and Papers (TNPL) and West Coast Paper, the combined capacity of all the members adds up to over 2.5 million tonnes, representing about 45 per cent of the domestic paper industry. In a representation to the finance ministry last week the rejuvenated IPMA suggested certain measures to improve its lot. Though Light Weight Coated paper (LWC) is a variety of coated paper and not newsprint, it is unfortunately being treated by the government as newsprint for custom duty purposes, attracting a concessional duty of five per cent. LWC does not attract either SAD (special additional duty) or CVD (Countervailing Duty). It was earlier stipulated that the import quantum of LWC would be hardly 800 tonnes and that the growth of indigenous producers of LWC paper would not be hurt. However, a lot of coated and uncoated papers is being imported in the guise of LWC disturbing the market equilibrium for these products. Imported LWC does not attract SAD and CVD. Domestic production of equivalent varieties attracts local sales tax and excise currently at 16 per cent. Because of non – existence of level playing field, domestic producers do not find it viable to manufacture LWC, even though the capacity exists. IPMA has said that LWC be classified as paper and not be clubbed with newsprint. Import of LWC should attract SAD and CVD. While introducing CENVAT at the rate of 16 per cent to be levied on most of the products including paper and paperboards, a section of the paper industry has been exempted by the government from paying duty up to first clearance of aggregate quantity not exceeding 3,500 tonnes of paper. The paper industry had not welcomed this move when introduced in the Finance Bill 2000-01 and highlighted the same in their post-Budget memoranda. According to IPMA, mills with higher capacity than 3,500 tonnes have been reportedly evading payment of excise duty by declaring clearing in different names. Due to this, small mills have had no incentive to grow and have largely remained inefficient with poor product quality. Excise duty benefits tempt mills to reduce prices in the market thereby initiating a price war. This in turn leads to a substantial loss of excise revenue to the government, IPMA said. As per IDBI's recent study conducted by National Council For Applied Economic Research (NCAER), the estimated demand for paper and paperboard and newsprint is set to rise up to 11.2 million tonnes by 2005. The high powered committee constituted by the industry ministry had earlier concluded that even after considering maximum possible increase in usage of non-conventional raw materials like bagasse, agro residues and waste paper, there is going to be huge shortfall of fibre for meeting and projected demand of paper. The IPMA has said that the only way to bridge the gap between demand and supply of paper is either to import pulp and paper or create fibre resource in the country through technology-based industrial plantation. As plantation is a long-gestation activity an early policy decision by the government is needed.

The Indian Paper Industry is fighting hard to establish its eco-friendly identity as it continues its struggle against the perennial shortage of raw materials in the form of pulp wood. Paper majors like BILT, ITC Bhadrachalam, Hindustan Paper Corporation, Hindustan Newsprint and JK Paper have invested in farm forestry programmes which are aimed at resolving the raw material problem effectively. ITC Bhadrachalam, the trend-setter in this area, has invested more than Rs. 30 million in forestry R&D and has ambitious plans up its sleeves. The company did some pioneering work in R&D of eucalyptus clones for pulpwood applications. At present, almost 75 per cent of the raw

material requirement of ITC BPL is met by the plantation wood of which 25 per cent is of clonal variety. According to company sources, ITC is planning to supply 3 million saplings every year over the next 5 years. The ITC Group Company has also put a proposal before the Andhra Pradesh government for a Joint Venture forestry project in the state. Apart from meeting the company's pulpwood requirement, the project also has the capacity to create 40,000 jobs in rural AP. Hindustan Paper Corporation (HPC) has just embarked on farm forestry programme in collaboration with 120 non-governmental organisations, at an initial investment of Rs. 1 million. Apart from providing plantation-related jobs to the local labourers and tribal farmers, the scheme is designed to increase availability of raw materials, especially pulp wood and bamboo, to the Nagaon Paper Mill of HPC. The new scheme is possibly encouraged by the positive experience of HPC's subsidiary, the Kerala based Hindustan Newsprint, HNL, which initiated the farm forestry programme way back in 96-97 started off by distributing 10,000 seedlings that year. Till date HNL, has made a net investment of Rs. 5.5 million in the programme. The company is set to distribute 3 million seedlings followed by 5 million clones next year. The programme today accounts for one third of the short fibre pulp wood requirement of HNL. Other important players in farm forestry initiative are BILT and JK Paper. BILT is set to distribute 8.5 million seedlings this year to be followed by 12 million next year. JK Paper, which was voted the greenest paper mill in India by the Centre for Science and Environment has reduced its dependence on government forests by moving towards social and farm forestry.

Faced with raw material shortage, the domestic paper mills are currently engaged in evolving common strategy for enhancing pulp wood production through increasing the area under plantations. The Indian Paper Manufacturers Association (IPMA) recently met at Vishakapatnam to draw projections in respect of short and long-term availability of raw material and to resolve the shortage problem. According to IPMA, as against the total required planting area of 60,000 hectares to meet the demand of 3.7 million tonnes of wood, paper mills are currently planting only about 20,000 hectares per annum which will generate about 1.2 million tonnes of pulp wood after 4 to 5 years. The deficit wood is being met though the usage of miscellaneous wood and wooden waste. With regard to bamboo, the entire requirement of 1.46 million tonnes per annum is currently being met from forest-based natural resource. However, it is being suggested that home grown bamboo plantations need be promoted by the industry to the possible extent. Statewise, the demand-supply gap of pulpwood is 85,000 tonnes each in Maharashtra and Karnataka, 80,000 tonnes in Tamil Nadu, 70,000 tonnes in Madhya Pradesh and 3,50,000 tonnes in Orissa. On the other hand, there is a surplus pulpwood production of 1,50,000 tonnes in West Bengal, 35,000 tonnes in Uttar Pradesh and 30,000 tonnes in Gujarat.

PUNALUR PAPER MILLS LIMITED: The promoters, Dalmias of Kolkata, have submitted a detailed proposal for the revival of this company which has been lying closed since 1987. The proposal offers to raise more than 1000 million required to put the company back on the rails.

The company would also make arrangements to organize the required working capital. ICICI, IDBI and IFCI are the participating FIs and Canara Bank is the Banker to the company. The outstanding liabilities were about Rs. 140 million at the time of closure in 1987. The present liability is approximately Rs. 400 million.