TELMARK

# Indian Paper Scenario – January 2002

Expecting the domestic paper industry to continue to remain vulnerable to fluctuations in international prices and the inherent cyclicality of the industry, the State-owned Hindustan Paper Corporation (HPC) has initiated a process for sustaining the company's competitive edge in the market place. The process covers reduction of manpower, improvement of operating efficiencies and upgradation of the quality of 13 varieties of paper it manufactures. More importantly, close on the heels of the Centre's decision to disinvest about 74 per cent equity in HPC's wholly-owned subsidiary, HPC now intends to focus its entire business attention in Assam where it has two paper mills, each with an annual production capacity of 1,00,000 tones of writing and printing paper. Incidentally, a global tender has been floated inviting price bids from private investors for the HNL shares to be sold. It is expected that the disinvestment process would be completed before the end of the current fiscal. The Chairman and Managing Director of HPC, Mr. Reji Philip, said that just as economic reforms were irreversible, competition was inevitable in the domestic paper industry under the WTO regime. The company's two mills in Assam, one at Cachar and the other at Nagaon, had been performing satisfactorily in spite of logistic problems. Both mills were expected to maintain over 100 per cent capacity utilization for the remaining part of the current fiscal. He said, inadequate availability of affordable raw materials and railway transportation snags would continue to affect the growth of paper mills in Assam as well as other North-Eastern States. However, in keeping with the Centre's policy to help accelerate economic development of the North-Eastern States, Mr. Philip said HPC has finalized an expansion programme for both the mills. The installed capacity of each mills would be raised by at least by 25,000 tonnes each, entailing a total investment of around 2,500 million. Along with the expansion programme, efforts are being made to upgrade quality of all varieties of paper so that the company could get better prices in the competitive market. Though 'cultural' varieties of paper constitute about 50 per cent of HPC's total annual production of about 2,00,000 tonnes of writing and printing paper, it has plans to add value to non-cultural varieties, thereby enabling it to earn more. Mr. Philip indicated that HPC might end the current fiscal with the turnover of about Rs. 6,000 million as against the Rs. 5,230 million achieved last year. He said that the net profit would be a little higher than last year's figure of Rs. 320 million. He also said the company aimed to reduce about 10 per cent of its total workforce of 3,300 through VRS route before the end of the current fiscal. It would be required to pay out some Rs. 150 million to implement the VRS.

Efforts are presently underway to set up an estimated Rs. 2 million worth hand-made paper industrial unit in Jorhat from ipomeas carnea, popularly known as 'Kolmou' during January 2002 against which rupees 2,00,000 has already been sanctioned, according to a source in the district administration. Initiated by the Local District Industries Centre (DIC), the technology developed is expected to help generate self-employment avenues for unemployed youth of the region. It may be recalled that only three years back, the then Upper Assam Commissioner, Mr. Arun Kumar had arranged to send some samples of the plentifully available ipomea to the Kamarppa National Handmade Paper Institute at Sanganer in Jaipur (Rajasthan) for feasibility study, following which a project profile was prepared and 12 prospective entrepreneurs hailing from Jorhat, Golaghat, Sivasagar and Dibrugarh were sent for undertaking a three week training on the entire process of manufacture at the said institute. An exhibition too had been arranged almost a year back in the city to popularize the prospect of making handmade paper from the so long considered 'problem weed', besides disseminating information about its export, as also domestic market potential.

The Lalit Mohan Thapar (LMT) group has drawn up a proposal to merge Bilt Graphic Papers Limited (formerly Sinar Mas Pulp & Paper (India) Limited) into group flagship Ballarpur Industries Limited (BILT). According to sources, the proposal has been mooted to the shareholders of both the companies. If the proposal gets to see the light of the day, the group's shareholding in BILT , the country's largest paper producer, will go up sharply from the current 32 per cent as Bilt Graphic Papers Limited is held 83 per cent by Bilt paper holding, an LMT company. ICICI hold the remaining 17 per cent stake in Bilt Graphic Papers Limited. According to sources, the group is currently discussing the merger with the financial institutions which hold a 36 per cent stake in BILT. Apart from this, Bilt is expected to gain from the merger in another way: Bilt Graphic Papers limited has losses in its books which can be used by Bilt for tax advantage. Bilt Graphic Papers Limited is known to have notched a turnover in excess of Rs. 4,500 million during 2001. The company's financial year has been extended by six months to bring it in line with Bilt's financial year of July 2001-June2002.

**ITC BHADRACHALAM PAPERBOARDS LIMITED:** This company has reported 16.85 per cent increase in its third quarter net profit at Rs. 74.20 million as against Rs. 63.50 million in the corresponding quarter of previous fiscal. Basic and diluted Earning Per Share (EPS) for the quarter stood higher at Rs. 0.77 against Rs. 0.64 last year consequent to increased profit. Net sales during the period slipped to Rs. 1,549.60 million from Rs. 1,624.90 million whereas other income came down to Rs. 12.90 million from Rs. 22.40 million last year. Total expenditure stood at Rs. 1,247.10 million against Rs. 1,328.70 million last year even as staff cost and other expenditure this year stood higher compared with last year. The company's nine month net profit has increased to Rs. 230.40 million from Rs. 203.00 million last year and net sales stands higher at Rs. 4,668.70 million from Rs. 4,657.20 million last year. Gross profit during the third quarter this fiscal came down to Rs. 315.40 million from Rs. 318.70 million whereas interest an finance charges dipped sharply to Rs. 61.30 million from Rs. 110.10 million last year.

**JK PAPER MILLS LIMITED:** This paper mill has declared about six per cent higher sales turnover at Rs. 1,517.30 million for second quarter ended December 31, 2001 with Rs. 40.90 million net profit after accounting for deferred tax liability of Rs. 25.80 million. Sales of paper and market pulp have gone up by 6.5 per cent at 43,530 tonnes (previous quarter 40,866 tonnes) and production during the quarter was 41,478 tonnes. Capacity utilization at both the company's plants was more than 100 per cent .

**SIRPUR PAPER MILLS LIMITED:** The company is expected to buy back over 2 million shares of Rs. 10 each, equivalent to 25 per cent of the total equity capital of Rs. 83.40 million. The company's plant situated at Kakaz Nagar in the Adilabad district to produce paper and paper boards, has a manufacturing capacity of 350 tonne a day. The company is expected to increase the plant capacity by 150 tonnes effective from April 2002. As on March 31, 2001, the company had recorded a turnover of Rs. 1,792.80 million with a net profit of Rs. 162.10 million. The company had made 25 per cent dividend for the year 2000-01 and 22 per cent in 1999-2000.