

## Indian Paper Scenario – March 2002

A section of the paper manufacturers are fraudulently using the excise duty exemption reserved for small manufacturers causing a net loss of nearly Rs. 5000 million to the government exchequer, according to the Indian Paper Manufacturers Association (IPMA). The association, which has drawn the Finance Minister Mr. Yashwant Sinha's attention to the fact, felt the special exemption meant for the small units having production capacity of below 3,500 ton per annum (TPA) of paper made of unconventional raw material is affecting the industry in other ways as well. For instance, the association explained, the units circumventing the excise laws by showing their production below the permitted level have triggered a price war. Also, the evasion of excise duty mostly by the traders-turned-manufacturers hampers the growth of the small units. IPMA, however, made it clear that the association was not against the incentives and subsidies being offered to small units but it is firmly against excise duty evasion by comparatively big players. Concept of small mills was introduced in the mid -1970s to boost paper supply. Since then small players are enjoying some advantages in the form of subsidies and incentives. But later some mills resorted to small units to avail the excise concessions. Going by the estimated number of 445 paper mills each producing 3,500 TPA of paper using unconventional raw material, the government could get a revenue of Rs. 4485.60 million if all paper companies come under the 16 per cent Cenvat, which is otherwise applicable on paper items. The association has also demanded that Lightweight Coated Paper (LWC) to be treated as paper, not as newsprint. The logic behind IPMA's demand being LWC is largely used for high-end magazines usually patronised by upper segment of the society who need not be given incentive. Further, in the guise of LCW, lot of coated and uncoated papers are being imported into the country and thereby creating disequilibrium in the market as LWC does not attract SAD (special additional duty) and CVD (counter veiling duty). Other demands of the association includes import duty on newsprint be enhanced to World Trade Organisation (WTO) bound rate of 25 per cent, import be regulated as per the genuine requirement and should attract SAD as applicable to other products.

The domestic newspaper publishing establishments will continue to be dependent on imported newsprint in the foreseeable future as indigenous newsprint manufacturers have no plans to raise production capacity in the depressed market scenario, according to the Indian Newsprint Manufacturers Association (INMA). It said that the availability of newsprint from domestic manufacturers in 2002-03 would be about half a million tons as against an estimated demand of about 1 million tons. This indicates the publishing sector will have to meet its 50 per cent of the total requirement from imports. While ruling out the possibility of any price revision by domestic newsprint manufacturers, INMA said it was aware that the newspaper publishing establishments would prefer to use lower grammage newsprint for increased value per ton. The newsprint industry thus needs to reinforce its efforts to keep pace with the exponential improvements in printing technology and the trends towards greater decentralization of printing facilities at multiple locations. The need for better quality newsprint, which can run on high-speed, high-tech printing machines and take sharp resolution four-colour printing had to be met. INMA said the emerging newsprint availability scenario would not affect the publishing sector as many publishing establishments preferred imported newsprint, while others were still loyal to indigenous newsprint. They felt that the newsprint consumption would not go up substantially even with steady rise in circulation because of the advent of new look newspapers, away from the staid and stodgy versions. It added that, the age of designer newspapers has begun, much like designer jeans and perhaps even designer

genes. Newspapers in Asia might soon overtake their Western counterparts in adopting the latest technology by making strategic investments in advanced technologies to sustain their competitiveness.

In a significant development, which deviates from the earlier proposal for outright sale, Delta Paper Mills has pipped the Goldstone Exports Limited consortium (Gelcon) to be associated as a joint venture company with four units of Nizam Sugars Limited, which includes a distillery at Shakkarnagar. The Principal Secretary Public Enterprises, Andhra Pradesh Government, Mr. Deepak Kumar Panwar, said the Cabinet Sub-Committee had approved the highest bid proposed by Delta Paper Mills, which envisages establishing a joint venture with the Government of Andhra Pradesh/ Nizam Sugar. As per the arrangement, a new company will be formed on a joint venture basis with the equity share capital of Rs. 200 million in which Delta Paper Mills will hold 51 per cent stake (Rs. 102 million) of equity and NSL/GoAP will hold the balance 49 per cent of equity, which works out to Rs. 98 million. The assets of four units – two units at Shakkarnagar including a distillery and the units at Metpally and Mombojipalli – will be transferred to the new company at a total value of Rs. 654 million free of encumbrance as offered by the Delta Paper Mills. Delta Paper had earlier acquired two units one each at Hanuman Junction and ASM Palakole. As against the earlier proposal to offer these units on outright sale, it was decided to take up the development based on the formation of a joint venture company. Earlier, some of the units were sold outright to private companies. Though the Gelcon Consortium, which includes representation from GR cables, Dhampur Sugars and Ganpathi Sugar Mills, was responsible for the sustained interest in the long-drawn bidding process, it lost out due to lower bid amount.

The growing shortage of cellulose fibre may not only affect the growth of domestic paper industry but will also make the country more dependent on imports of newsprint, paper & boards and pulp & waste paper in the coming years. According to the Indian Paper Manufacturers Association (IPMA), the projected fibre shortfall for domestic paper industry, based on six to eight per cent demand growth rate in paper demand in the next decade, is likely to be about 6.6 million tons (mt) in 2005-06, about 9.5 mt in 2010-11 and about 13.2 mt in 2015-16. In other words, the domestic paper industry will not be able to grow due to fibre shortage. The country's estimated outflow of foreign exchange on account of imports of newsprint, paper & boards and pulp & waste paper is likely to be of the order of Rs. 1,20,000 million by 2010-11 and about Rs. 1,70,000 million by 2015-16. The country is already facing a fibre shortage. Of the country's registered production of paper, paperboard and newsprint of about 5.6 mt, about 45 per cent comes from mills using hard woods & bamboo and about 55 per cent from mills using waste paper and agricultural residues as raw materials. Expecting that the domestic market will grow up to 12 to 15 mt in next 15 years, IPMA feels the domestic paper industry will not be able to meet the demand unless massive plantation programmes are initiated to address the raw material shortage problem.

Indian Pulp and Paper Technical Association (IPPTA), a body of professionals engaged in pulp and paper industry, has organized a two day seminar in Chennai from March 8 on "New Global Technologies" which the Indian Industry has to adopt to meet world standards. Announcing this at a press conference, IPPTA President Mr. R C Mall said the seminar has focused specially on the theme "Fiberlines in Indian Context-Constraints and Reality". The Indian pulp and paper industry, which was over a century old and spread across the length and breadth of the country, is however, technologically two decades behind vis-à-vis countries like Sweden, the US and Canada, Mr. Mall said.

Seshasayee Paper and Boards Limited (SPBL) has won the TERI Corporate environmental award in Category II (companies with turnover between Rs. 1,000 million and Rs. 5,000 million). Located at Erode in Tamil Nadu, SPBL is a Rs. 2621.40 million company producing 1,15,000 tpa of paper and paper boards of all varieties. With an environmental policy applicable for both the company and its production facilities, the company has separate environmental cells at both levels. SPBL's production facility has an environmental management system in place, monthly reports of which are regularly sent to the Tamil Nadu Pollution Control Board. And although SPBL is not involved in any national and international level environmental initiatives as of now, its good work at the facility level in areas of water management and agriculture is evident to all. The company's "Irrigation With Treated Effluent Project" for pollution prevention is a remarkable success. It was started in 1983 and subsequently expanded in 1989. Higher use of bagasse and waste paper, utilisation of wood from only man-made plantations, dispensation with use of bamboo and higher use of bio-fuels and reduced use of ash fuel are some of the other eco-friendly improvements and modifications that the company has made for pollution prevention.

**BALLARPUR INDUSTRIES LIMITED:** This company had filed a draft letter of offer with SEBI for its rights issue of 57.2 million equity shares of Rs. 10 each at a premium of Rs. 25-32 in the ratio of 8:10. The other option to shareholders is issue of 7.153 million fully convertible debentures (FCDs) of Rs. 280 to Rs. 336 each for cash on par on rights basis in the ratio of 1:10 aggregating Rs. 2003.1 million to Rs. 2403.70 million.

**DELTA PAPER MILLS LIMITED:** This company is planning to undertake expansion of sugar mills, increase distillation capacity in two distillers and develop co-generation plants. The company has proposed two 30,000 litres per day distilleries at Metpalli and Mombojipalli for rectified spirit and extra neutral alcohol (ENA) for potable as well as industrial purposes. Following the recent developments, Delta Paper proposes to expand and modernize all the three sugar mills and also increase the capacity to produce rectified spirit and potable alcohol and industrial alcohol.

**TAMIL NADU NEWSPRINT AND PAPER LIMITED:** This mill went up more than 10 per cent on hopes that divestment in state – owned undertakings would commence shortly. Market watchers said the interest in public sector stocks –albeit owned by the Centre has translated into a wider interest even in state-owned scrips. TNPL hit a high of Rs. 44.45 during the day with more than 2,80,000 shares changing hands by mid afternoon. At the end of the day 3,39,000 shares had been traded on the Bombay Stock Exchange. The scrip closed 4.8 per cent higher at Rs. 42.20 compared to its previous close of Rs. 41.10.