

Indian Paper Scenario – April 2003

The country's pulp and paper industry will require an investment of around Rs. 60000 million over the next two years to switch to a chlorine free bleaching technology. In line with the Rio Convention and the Montreal protocol, the Indian paper industry was required to eliminate the use of chlorine in bleaching of paper pulp by 2002. But following a recent dialogue with the ministry for environment and forests, the industry managed to get the deadline deferred to December 2005. The largest contributor to pollution in paper manufacturing is the pulp bleaching process. The conventional bleaching process uses chlorine gas, which generates carcinogenic pollutants known as dioxins. In the new technology, nascent oxygen replaces chlorine as the bleaching agent. Of the big players in this sector, only ITC has completely switched to the chlorine – free bleaching process. The company has invested Rs. 2270 million at its Bhadrachalam plant to adopt the new technology. The others are in the process of switching over. Many of the user industries too are in the process of switching over to chlorine free paper. Companies like Amul and Tetrapak, and ice cream manufacturers like Dinshaws and Vadilal, are already using chlorine-free paper for their packaging. FMCG majors like HLL, P&G and Godrej are also expected to do so this year, and the pharmaceutical firms were among the first to switch to chlorine-free paper. The annual paper board requirement of the domestic packaging industry is 9,00,000 tons, of which ITC produces 2,00,000 tons. The other players including BILT, West Coast and JK paper, make about 6,50,000 tons while the remaining 50,000 tons is imported. India has about 500 players in this sector, including several small ones. Interestingly, nearly half of China's 10,000 pulp and paper manufacturers have closed shop due to their inability to switch over to the new technology.

With domestic paper manufacturers hiking product price in March- April period, scrips of most paper companies have taken an upward trajectory. Stock quotes of all top line paper manufacturers including BILT, West Coast, Ram Newsprint, Tamil Nadu Newsprint, Andhra Pradesh Paper mill (APPML) Seshasayee and Pudumjee Pulp rose in the last one month at the Bombay Stock Exchange (BSE) and in some cases returns are in double digits. For instance, scrip price of Ballarpur Industries, the largest domestic paper company, closed at Rs. 38.3 on Friday from Rs. 37 on March 25, after touching 41.5 early this month. Scrip valuations of some companies including West Coast, Sirpur and Rama Newsprint increased by more than 15 %. Two exceptions among the top – end producers include Orient Paper, which has been making losses for the last financial year and clocked marginal net profits in the December quarter and JK Paper, which has very low floating stock. The domestic manufacturers of pulp and paper have increased prices by Rs. 1000 per ton on an average, effective from March 1, which was the first hike in the current calendar year. This translated into approximately 2% increase in prices in harmony with rising raw material cost due to increase in international pulp prices.

The technology breakthrough in the productive utilization of black liquor, the most polluting effluent generated by the paper industry, will go a long way in controlling pollution caused by agriculture-based paper mills in the country. The industry has not been in a position to adhere to pollution norms mainly because technology to effectively treat black liquor was not available. However, ABC Paper Mill, Hoshiarpur, has in collaboration with the Biotechnology Department of Himachal Pradesh University developed technology to recover lignosulphonates from lignin, a polymer which is present in a large quantity in black liquor.

TAMIL NADU NEWSPRINT AND PAPERS LIMITED: This Company is in the process of expanding its capacity with an additional investment of Rs. 7500 million. The proposal includes Rs. 4000 million for modernizing wood pulp and bagasse production and installation a third paper machine at a cost of Rs. 3500 million. A detailed project report would be commissioned and the work completed in two years. It also plans to add 1,00,000 ton production capacity through the third machine. This will take its capacity to 3,30,000 tons from the current 2,30,000 tons. The pulp mill will be modernized to increase its output to 200 tons of hardwood pulp per day against the existing 110 tons and 650 tons per day of chemical bagasse pulp against the present 450 tons. The up gradation will also see TNPL move away from using elemental chlorine in the bleaching process to a more environment friendly option, sources said. It recently concluded a Rs. 1500 million expansion programme that added 50,000 tons to its production capacity taking it to 2,30,000 tons. Company officials had said that the cost per annual ton was Rs. 21,000 as compared with Rs 1,00,000 for a Greenfield project or Rs. 50,000 ton for an acquisition.