

Indian Paper Scenario – May 2005

Kraft paper manufacturers in the South are cutting down on production to control supplies and balance prices. Manufacturing units have decided to stop production two days every fortnight starting from May, according to Kraft Paper Manufacturers of South India. With the general optimism in manufacturing sector, it was anticipated that the demand for packaging material would go up. Demand for Kraft Paper, which is used to make corrugated boxes, is on the increase but the problem is one of excess supply. In the last two years there has been a spurt in the production because capacities have been expanded or new units have come up. In the four southern states and in the Union Territory, Pondicherry, there are more than 50 medium-sized mills with a capacity ranging around 10-60 tonnes a day. There are a few larger mills and about 20 small mills. The decision by the association to control production will result in an initial drop of about 15 per cent in raw material demand and an equal quantity of output. Mills in Gujarat and Maharashtra have also agreed to cut down production. The manufacturers are being squeezed between increasing prices of the raw material, primarily waste Kraft Paper, which is in short supply and lowering prices of the finished product of which there is an over supply. Mills hiked the prices of Kraft paper by R. 1000 recently. Depending on the quality what the industry calls the burst factor, Kraft paper prices range between Rs.14000 and Rs. 16000 a tonne for Kraft paper with a burst factor of 12, 14 or 16. Prior to the hike, the prices had been lower by about Rs.500 – Rs. 750 as compared to prices a year back. Though the general trend was one of the optimism the manufacturers have not benefited. The major demand is between December and June when the orders from food processing units, beverages and brewers peak, July to December is a relatively slow season. The Kraft Paper manufacturers depend on recycled corrugated boxes for raw material. But only about 60 per cent of the material, that goes out as boxes from the converters – people who make boxes from Kraft paper – comes back to the Kraft paper mills. The balance goes waste, mostly lost to landfills. For more raw materials they have to depend on expensive imports. So there is stiff demand for waste Kraft paper, which costs about Rs. 5000 a tonne. The manufacturers are able to recover corrugated boxes from commercial establishments. Most of the waste is from the households. Ideally, the State Governments and local bodies should be more stringent about segregating domestic waste so that recyclable material can be recovered effectively. In the US, for instance, about 85 per cent of the Kraft paper is recovered.

An increase in the cost of Kraft paper by Rs. 1500 per tonne is acting as a threat to the sustenance of the corrugated box manufacturing industry that depends on the same, as raw material. Kraft Paper mills based in Gujarat and Maharashtra have increased their basic prices by Rs. 1,500 per tone or 10—12 per cent for all grades from April. The reason stated, being an increase in the input costs. Manufacturing of corrugated boxes will soon become an unviable option due to an increase in the prices of its basic input raw material. The industry is converting over 120000 tonnes of paper per year into boxes and boards. Over 100000 people are directly employed in this industry belonging to the small-scale sector. Currently the corrugated packaging industry has been effectively and completely meeting the packaging requirements of the industry both for domestic needs and for exports. The sudden escalation in costs is bound to reduce the quantum of production. Kraft paper originally made from sugar cane residue and recycling of local paper, is also made from imported office / computer waste or OCC paper or with conventional raw material like wood of sugarcane bagasse.

The Chairman of the Pollution Control Board, Assam, Prof J L Dutta along with official of the PCBA recently made surprise visit at a few industrial units in Byrhihat area of Assam along with the Nagaon Paper Mill of HPC (NPM-HPC) at Jagiraod. He checked the units and found several anomalies. He recommended measures to enhance the pollution control system in these units. The primary affluent treatment facility at the HPC mill seemed to be near perfect, but the pollution levels monitoring system seemed to be a bit slack. The Chairman noted that since the HPC paper mill has undergone a major modernisation programme since the mid nineties, and with increased production, there is bound to be problems related to chemicals and affluent. But there are modern methods to keep the pollution levels under control. He recommended several measures to be taken at the unit to bring down the pollution levels, to which the HPC officials readily consented. He also recommended that the use of chlorine should be done away with as soon as possible, as it is causing corrosion of the valuable equipments and also acts as a pollutant. Earlier visiting the Shri Shyam Carbon Company at Byrnihat, Prof Dutta detected leakages creating fugitive emissions. These emissions are replete with cancer causing poly aromatic hydrocarbons (PAH) along with other harmful components. He recommended measures to contain these emissions and asked the unit to submit the action taken report to the PCB.

Finland said it was keen on collaboration with Indian companies in paper and forestry. IT, biotech and energy sectors are targeting to double the bilateral trade in the next couple of years. There is vast potential for cooperation in areas like IT, forestry, and environmental protection. biotechnology, energy and mining. Last year, the bilateral trade between the two countries was about 400 million Euro. Though there was a modest growth in the past, higher growth is expected in trade between the two countries and keen to double in the next couple of years. Presently, there are about 70 Finnish companies operating in and altogether over 100 companies actively trading with India. These included Elocoteq in Bangalore, Kone and UPM Kymmene in Chennai. Finnish mobile communications major Nokia recently announced its decision to set up a handset unit in Chennai. We expect about 506 more joint ventures in the next one-year. They are planning to conduct a road show in the next 6-7 months to attract the Indian investors. In the forestry and paper industry, there are lot of opportunities for collaborations. India pulp and paper sector needs huge investments and modernisation. Finnish expertise and innovativeness in paper technology is among the best in the world. Over the past 120 years, research and development in the Finnish pulp paper and the wood industry has steadily improved to become among the best in the world and the key factor behind this development is the globally unique forest industry cluster. Finland can also offer its expertise in forest development and management too. Forest covers 70 per cent of Finland's national territory and there are about 190000 lakes. The majority of Finnish forest is owned by individual families and every fifth Finnish family owns some forests and many households gain extra income by selling wood to the forest industry. Biosector is one of the main areas of expertise in Finland and is expected to become a significant part of Finnish national economy. Most of biotech companies in Finland seek collaboration with international pharmacy companies instead of manufacturing and marketing their products

Considering the fact that the conventional bamboo seedlings route now being adopted is a time consuming affair, the Hindustan Paper Corporation has decided to set up a tissue culture laboratory in collaboration with the National Mission for Bamboo Applications. The laboratory is being set up at the company's Nagaon Paper Mill in Assam, based on latest technology for plant propagation. According to the sources, about two million

seedlings of appropriate bamboo species are expected to be available every year from this lab covering two hectares of land. In fact, the company has submitted a plan to utilise the degraded forestland or wasteland in the vicinity of its two paper mills in Assam for raising captive plantations. As both the mills are bamboo based all out efforts are being made by the company to propagate bamboo plantation to ensure easy availability of raw material in future. After meeting its own bamboo requirements for paper making purposes. HPC has plans to set up a project for proper utilisation of bamboo dust. In fact, generation of gas from bamboo dust based gasification plant will substitute 25 per cent of the furnace oil requirements in the proposed lime sludge re-burning kiln. The project with partial funding from Technology information, Forecasting & Assessment Council in association with Ministry of non-conventional Energy Sources is likely to take off by December.

BALLARPUR INDUSTRIES LIMITED: This company is looking to expand its branded office product line by targeting 300 per cent jump in its retail business. The company will add new products in the non-paper category like computer peripherals, office supplies, stationery to strengthen its retail. The retail business of the company is currently carried out through 110 exclusive wholesalers, 110 retail distributors and over 10,000 stationers. The company plans to increase its number of stationers from 10,000 to 25,000 and be present in around 3,000 cities across India in next few years.

J K PAPER LIMITED: This paper mill has decided to invest Rs.2350 million for expansion of its business. The Board of Directors has approved an investment of Rs.2350 million for expansion for the paper and board business. The Board has also approved issue of preference shares of nominal value upto Rs.10 million to financial institutions or banks subject to terms and conditions, as may be mutually agreed between the company and FIs or bank.

SIRPUR PAPER MILLS LIMITED: This paper mill has embarked on a Rs. 3000 million expansion-cum-modernisation programme to increase its annual production capacity from 83,550 tonnes to 1,33, 550 tonnes. The expansion project would be funded through a debt of Rs.1650 million, internal accruals of Rs. 500 million and an offer of preferential shares to the tune of Rs.700 million. The project is likely to be completed by June 2006. The expansion-cum-modernisation project envisages improvement in product quality, reduction in cost of production and curtailment of pollution. For every tonne of paper produced, it was planned to reduce water consumption by 60 cubic meters, decrease energy consumption by 400 units and bring down bleaching chemical content by 50 per cent. After the expansion, the company would start manufacturing photocopy paper. It would also undertake direct exports.

YASH PAPERS LIMITED: This company is in the process of expanding its paper manufacturing capacity. They are planning to enter the capital market with an issue to raise Rs. 220 million to part fund its expansion plans. The company's expansion plan involves setting up a 70 tonne paper manufacturing plant with a bagasse pulp plant, waste paper pulping plant and a bleaching section. It also has plans to set up a power plant.