

## Indian Paper Scenario – February 2006

The Indian Paper Manufacturers Association (IPMA) has urged the Union Finance Ministry to rationalise the excise duty structure and introduce a uniform excise duty of eight per cent in the ensuing budget. In a pre-budget memorandum, the IPMA, representing paper units with a size of 60,00,000 tonnes of annual production and Rs. 170000 million of turnover, has called for immediately disbanding the existing multi-tier excise structure which it felt, hindered the growth of the paper industry. The IPMA said there was no uniform excise duty at present for the Indian Paper industry and the duty varied from zero to 16 per cent. The association had asked the Government to de-link the excise duty from type of raw material used for paper production. Stating that the country was already a part of the WTO and had signed various free trade agreements, the domestic paper industry needed enablers for a level playing field to effectively compete with imports. It urged the Government to retain the existing basic customs duty of 15 per cent for few more years. Any further reduction in import tariffs in the short-term would be detrimental to the health of the Indian Paper Industry. Thereafter, it is essential that the current basic customs duty is maintained till enabling policies required to help the domestic industry are put in place. According to the IPMA, raw material accounts for up to 50 per cent of paper production costs and the paper industry was facing a serious raw material crunch, resulting in significant dependence on imports and huge forex outgo. The industry needs enablers from the Government to develop an indigenous raw material base and also generate employment by facilitating farm forestry on a bigger scale. This can only happen when a paradigm shift from 'conservation centred' management to 'production-centred' management of forests at the policy level. The paper industry needs 1.2 – 1.5 million hectares of plantation area, which is only three per cent of the country's total degraded forestland. Development of approximately 1.2 million hectares would not only bridge the shortfall of critical raw material, but also results in the creation of around 3,65,000 jobs annually. The IPMA has urged the Government to provide technology up gradation fund at par with the textile industry to overcome technological obsolescence and mega emerging domestic and global challenges.

The Designated Authority in the Commerce Ministry recently recommended imposition of provisional anti-dumping duty on imported cellophane transparent paper (TP) or TP film imported from China, which is widely used in fax machines. TP is a re-generated cellulose film of glass clear transparency and sparkle. It is flexible but tough and withstands all the beatings in an automatic packaging operation and reveals outstanding machine ability as well as dimensional stability. In response to a written complaint filed by Kesoram Industries, Kolkata, against cheaply produced inferior TP paper inundating domestic market the authority initiated probe and came to the conclusion that there has been significant increase in the volume of dumped imports from China in absolute terms and also in relation to imports. The authority held that even though production, capacity utilisation, productivity, wages showed positive trend, decline in market share of the domestic industry and financial losses suffered by the domestic industry in its operations of the subject goods conclusively establish existence of material injury. Accordingly the authority has recommended imposition of \$1.90 per kg of TP or TP film imported from China. The injury analysis indicates that imports from China in relation to total imports of the product under probe in India rose from 39 per cent to 73 per cent over the injury period save the year 2002-03. Imports from China in relation to production in India also

rose from 4.55 per cent (2001-02) to 20.67 per cent in 2004-05. Import from China in relation to demand also surged from 4.4 per cent to 19.28 per cent over the period.

ITC's captive power unit at its recycled folding box board plant at Coimbatore which utilises non-traditional biofuels such as de-oiled bran and saw dust mixed with lignite, is well set to apply for carbon credits under a small scale clean development mechanism project of the Kyoto Protocol. Under earlier managements, the unit had remained shut for a total period of two and a half, till ITC acquired it through an asset sale to affect a virtual rescue job. ITC has already invested over Rs. 700 million to make the Kovai plant more energy and water efficient through upgraded facilities. This includes an investment of Rs. 480 million on an eight MW modern co-generation power plant. The co-gen plant, generates power at low cost using high pressure steam and utilises the low pressure steam for heating purposes. The effluent quality, with characteristics for a better than the norms prescribed by the Tamil Nadu pollution control board, was highly suitable for irrigation purposes. Water consumption at the unit is just nine Cum per tonne of production against the normal 50 cum for such mills. The international norm is 6-7 cum. Located at Thekampatty village in Coimbatore covering an area of 310 acres, the ITC-PSPD CDM Project for Utilisation of agri-residue in a cogeneration system is now being put up before the Ministry of Environment and Forests for registration. The unit will be the sole owner of the certified emission reductions (CERs) generated from the above project, and the first CER is likely to be delivered around August 2006.

**ANDHRA PRADESH PAPER MILLS LIMITED:** This company has embarked upon a large-scale expansion and modernisation programme at an investment of Rs. 6500 million. The move will increase its pulp and paper production and upgrade the entire facility to the ECF (elemental chlorine free) grade. Only ITC, makes ECF – grade paper in India. After the project is completed, the pulp making capacity will go up to 550 tonnes a day from 300 tonnes at present while that for paper would increase by 30,000 tonnes to 180,000 tonnes a year. Under the modernisation programme, the entire pulp making process will be upgraded to ECF. The company hopes to sell 150 tonnes in the open market in India as this product is increasingly being used in the packaging of food materials. Moreover, it would also step up export of paper to 25, 000 tonnes following the expansion. The company expects to reap the benefits of the increased capacity during 2007-08.

**ORIENT PAPER MILLS LIMITED:** This paper mill has chalked out a plan that entails a total investment of Rs. 2100 million, including the installation of a 30 MW power plants and capacity expansion at its cement and paper units. The power plant would be set up at Devapur in Andhra Pradesh to serve the cement unit there. The plant is expected to generate power cost saving of at least Rs. 300 million a year or Rs. 100 per tonne of cement. The Rs. 1200 million power unit is being designed so that it can run on a mix of coal and alternative fuels. The company has already hired an engineering firm to prepare the turnkey project blueprint, which is expected by May 2006.

**PAPER PRODUCTS LIMITED:** This company has achieved sales of Rs. 4328.6 million for the year ended December 2005 representing a growth of 9.9 per cent over sales of Rs. 3940.2 million for the year ended December 2004. Continued focus on the

company's innovation programme 'New Applications Structures and Products & Processes' helped achieve better sales. The profit before tax was Rs. 378.9 million. The basic and diluted earnings per share for the year 2005 is Rs. 22.07.

**SIRPUR PAPER MILLS LIMITED:** This paper mill has reported a 34 per cent increase in its net profit at Rs. 50.1 million for the quarter ended December 2005 compared to Rs. 37.3 million in the corresponding period last year. The revenue during the same period rose by 7 per cent to Rs. 614.7 million against Rs. 574.9 million in the corresponding period last year. For the nine month period ending December, the net profit declined by 6.6 per cent to Rs. 110.4 million compared to Rs. 118.2 million in the year – ago period