

## Indian Paper Scenario – June 2009

Very few people consider the impact of throwing away scraps of paper or selling newspapers to the local raddiwalas. The Indian paper industry uses three types of raw materials: wood, agro-based and waste paper. Of the 650 odd mills in the country, only 24 are wood-based and 100 agro-based, while the rest use waste paper as the key raw material. In a country where the availability of wood fibre is limited and agro residues, though large, are not sufficient to sustain the growth of the paper industry, the dependency on waste paper is significantly high, especially in new mills. Currently, India imports its waste paper, mainly from the US, Gulf and Europe. The per capita consumption of waste paper in India is around 8 Kg. With an estimated turnover of Rs 250000 million, and growth pegged at 6 to 7 per cent for this year, industry experts expect the demand for waste paper to increase. This year, there is likely to be a 10 percent growth in imports. The imported waste paper comes in different types, which are used to make different types of paper, for instance, old computer printouts are used to produce cultural variety paper; and a mixture of waste paper varieties are used to produce paper boards.

Waste paper is a cheaper alternative to wood pulp. Pulp is more expensive; waste paper is not only more cost-effective, but is also an environment-friendly product. With consumers becoming more environment-conscious, using waste paper has its upside-one kg of paper produced from waste paper saves around 17 trees. Waste paper costs \$ 200-400 a tonne, whereas the cost of paper pulp can range from \$ 375 to \$ 900 per tonne. India imports around 1.5 million tonnes of waste paper per annum. On the other hand, wood pulp imports stood at around 416,000 tonnes in 2008, as per the Indian Paper Manufacturers Association (IPMA). One of the reasons India needs to import waste paper is that there is no proper waste paper collection policy in place. Indian companies are able to convert only 3-4 million tonnes out of the 13-14 million tonnes of waste paper available in the country. If we had a proper collection system in place, we would not have to import that much. Contrary to general perception, the collection and segregation of waste is not organised. Less than 20 percent is collected for recycling. Being dependent on imported waste paper has its own set of perils – price is the main issue, apart from availability. Hence, there has to be a system in place for sorting, grading and collecting waste paper to limit the amount of paper imported. There is no government legislation for collecting waste paper from stores, households and offices in place. Other countries have a more scientific method of collecting waste paper. Around 95 per cent of the mills in South India predominantly use waste paper as a raw material. Tamil Nadu Newsprint and Papers Limited (TNPL), which uses bagasse (a sugarcane residue) as the primary raw material, also uses a certain amount of waste paper. The company has a production capacity of around 2,40,000 tonnes per annum. Even large mills like the West Coast Paper Mills have a certain percentage of waste paper in some of their products, like coated duplex boards. Moreover, the production capacity of mills is increasing and there are 20-40 mills in the pipeline in South India. However, there has been a decrease in the price of imported waste paper

recently. While it cost \$280-300 to import one tonne six months ago, it has come down to around \$145-155.

Hectares of forestry plantations which over 1000 million saplings having been distributed over the last five years. These plantations have also succeeded in raising wood yield by 3-5 times through technology. To take this further, industry has been pushing for the Multi – Stakeholder Partnership model where the ownership of land remains intact with the state. Under this initiative, the local community, the government and the industry will stand to benefit. Industry has been seeking government support by way of allotting a small fraction of degraded forest land for plantations to meet the increasing deficit in wood availability. Lifecycle analysis of industries to address the climate change issue has become urgent. Compared to many other industries, the paper industry, through plantations and man-made forestry offers the best opportunity for addressing the critical issue of GHG sequestration. This would also help in arresting soil erosion and facilitate water conservation.

Rama newsprint and Papers has come under the scanner of the ministry of corporate affairs for alleged discrepancies in its compliance with the Companies Act. The ministry ordered an inspection of the company's accounts under section 209 (a) of the Companies Act. The Registrar of Companies (RoC), which was entrusted with the task of carrying out the inspection, has submitted its report to the ministry with its observations and recommendations. Section 224 prescribes guidelines for giving remuneration to auditors appointed by the company. The ministry is currently in consultation with its regional director to take the case forward and is likely to decide soon if any action is required. The company, when contacted, confirmed an inspection of its books by the RoC and said that it had provided all the information that was sought by the agency. The company, however, said that it had not received any show-cause notice from the ministry on the alleged discrepancies. The stock ended 5.6% down on the Bombay Stock Exchange.

**ORIENT PAPER AND INDUSTRIES LIMITED:** This company has reported a 13 percent rise in net profit at Rs 550 million in the fourth quarter of 2008-09, against Rs 481.1 million registered in the same period last year. Sales were up 23 per cent at Rs 4670 million in the quarter under review. For the fiscal 2009, the net profit was down 2 per cent at Rs 2000 million while sales jumped 16 percent.

**TAMIL NADU NEWSPRINT & PAPERS LIMITED:** This company has seen improved revenues and its net sales surpassing the Rs 10000 million mark for the first time in financial year 2008-09 despite a modest drop in net profit. For the year ended March 31, 2009, the company has posted net sales of Rs 10664.6 million when compared with Rs 9385.3 million in the previous financial year. However, net profit of the company fell to Rs 1073.8 million from Rs 1128.3 million year over year. The company produced 254,903 tonnes of paper in 2008-09, higher by 9,432 tonnes over the previous year's level. Operating profit before interest and tax stood at Rs 2025.6 million as against Rs 1874.6 million year over

year. Profit before tax was Rs 1563.1 million, as against Rs 1630,6 million year over year.

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