South Indian Kraft Paper Mills Association

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STATUS OF KRAFT PAPER INDUSTRY IN SOUTHERN INDIA

WE, NUMBERING AROUND 135 (incl. 29 not running) PAPER MILLS SITUATED IN TAMIL NADU, PONDICHERRY, ANDHRA PRADESH, KARNATAKA AND KERALA ARE HAVING INSTALLED CAPACITY NEARLY 25 LAKH TONS OF INDUSTRIAL GRADE (KRAFT) PAPER, EVERY YEAR, IN SOUTHERN INDIA AND ACTUALLY IT WAS THE CAPACITY UTILISATION WAS ONLY 55% i.e. 13 LAKHS TONS DURING THE LAST TWO YEARS (2017-18 & 2018-19)..

THOUGH THE DEMAND FOR KRAFT PAPER IS RISING 7 TO 10%, EVERY YEAR, THE PAPER INDUSTRY IS FACING THE FOLLOWING PROBLEMS DURING THE LAST 6 YEARS, AS THE SUPPLY IS OUT STRIPPING THE DEMAND:

1. WASTE PAPER, THE RAW MATERIAL FOR ALL THE PAPER MILLS, IS BEING PROCURED FROM WASTE PAPER SUPPLIERS. AS, IN INDIA, THE RECOVERY RATE IS LOW, SUFFICIENT RAW MATERIAL IS NOT AVAILABLE TO MEET THE DEMAND OF THE PAPER MILLS. HENCE, NEARLY 60% OF WASTE PAPER IS BEING IMPORTED INTO THE COUNTRY FROM ALL OVER THE WORLD. SHORTAGE OF RAW MATERIAL IS BEING EXPERIENCED BY ALL THE MANUFACTURERS, IN VIEW OF INCREASE IN INSTALLED CAPACITY DURING THE LAST 5 YEARS AND FOR YOUR INFORMATION, THE FOLLOWING ARE THE DETAILS OF CAPACITY ADDITIONS MADE SINCE 2003:

Year	Number of Kraft Paper Mills	Daily Production in Tons
2004	47	750
2005	52	1100
2006	57	1300
2007	63	1900
2008	78	3100
2009	94	3900
2010	102	4300
2011	110	5100
2012	113	5600
2013	119	6100
2014	123	6625
2015	128	6900
2016	134	7300
2017	126	6800 *

*Including closed mills capacity of 1300 tonnes per day.

2. IN SPITE OF THE INCREASE IN THE INSTALLED CAPACITY, THE CAPACITY UTILISATION COULD NOT BE ACHIEVED, IN VIEW OF HIGH COST OF INPUTS DURING THE LAST 5 YEARS. HOWEVER, THERE IS LOT OF CLAMORING IN PROCURING THE INPUTS, SUCH AS RAW MATERIAL, FUEL, CHEMICALS, ETC., RESULTING IN THE ARTIFICIAL PUSHING UP THEIR PRICES.

3. AS, THERE IS MISMATCH BETWEEN THE DEMAND AND SUPPLY, IE.) THE SUPPLY IS MORE THAN THE DEMAND; THERE IS A RAT RACE IN MARKETING THE FINISHED PRODUCT, RESULTING IN UN-REMUNERATIVE SELLING PRICES.

4. AS MORE THAN THE REQUIRED QUANTITY OF PAPER IS BEING PUMPED INTO THE MARKET, THE PRODUCT IS BEING SOLD IN CREDIT. FURTHER, THE CUSTOMERS ARE EXPLOITING THE SITUATION AND JUMPING FROM ONE SUPPLIER TO ANOTHER, WITHOUT HONOURING THE PAYMENTS ON THE DUE DATES. THERE IS ABSOLUTELY NO DISCIPLINE AMONG MAJORITY OF THE CUSTOMERS. THIS IS RESULTING IN BAD DEBTS AND NUMBER OF MILLS ARE STRUCK WITH BAD DEBTS TO THE TUNE OF RS.1000 CRORES, IN SOUTHERN INDIA.

DUE TO THE ABOVE BURNING PROBLEMS APART FROM DEMONITIZATION IN NOV.2016 AND INTRODUCTION OF GST FROM JULY 2017, THE DEMAND IS SLUGGISH FOR KRAFT PAPER AND PRICE OF FINISHED GOODS ON IS THE DOWNWARD TREND FROM OCT.2017 ONWARDS AND THE RAW MATERIAL PRICES(IMPORTED AND LOCAL) WERE ON THE INCREASING TREND TILL MARCH 2019.

IN THE LIGHT OF THE FOREGOING SCENARIO, WE FELT IT IS PRUDENT TO KNOW ABOUT THE STATUS OF KRAFT PAPER MILLS IN SOUTHERN INDIA. AT PRESENT, THE PAPER INDUSTRY IS STRUGGLING FOR ITS EXISTENCE AND WE PRESUME THAT THE SITUATION MIGHT CONTINUE FOR ANOTHER COUPLE OF YEARS, ONLY IF JUDICIAL CAPACITY ADDITIONS ARE MADE, IN THE COMING YEARS. ON THE CONTRARY, IN THE EVENT THE THERE IS A MUSHROOM GROWTH OF KRAFT PAPER INDUSTRIES, IN THE COMING YEARS, AS WELL, THERE IS LIKELIHOOD OF MANY MILLS TURNING SICK.

HENCE, AT THIS CRITICAL JUNCTURE, THE EXISTING KRAFT MILLS MERIT THE WHOLE HEARTED SUPPORT OF ALL THE FUNDING AGENCIES, BY WAY OFEXERCISING EXTREME CAUTION, WHILE SANCTIONING FINANCIAL ASSISTANCE TO NEW KRAFT PAPER PROJECTS, IRRESPECTIVE OF ITS CAPACITY, PARTICULARLY IN SOUTHERN INDIA AND, IN GENERAL, ON ALL INDIA BASIS.THIS ACTION OF YOURS, WILL HELP NOT ONLY FOR THE HEALTHIER OPERATIONS OF THE EXISTING UNITS BUT ALSO THE NPAS OF FINANCIAL INSTITUTIONS WILL BE UNDER CONTROL.