

Challenges And Opportunities Before Paper Industry

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ABSTRACT

Globalisation has opened up many a challenges and opportunities for the Indian Paper Industry. The present paper discusses these challenges and possible solutions to overcome the same. The efforts of the Andhra Pradesh Paper Mills Ltd., in this direction are also presented.

INTRODUCTION :

PRESENT PAPER INDUSTRY SCENARIO

Paper Industry is one of the oldest and core industry in India. At the time of Independence, there were less than 20 mills with an annual production of about one lakh tonnes of paper. In the eighties, there was a spurt in paper industry. By 1990 the number of paper mills has gone upto 325 with an installed capacity of 33 lakh tonnes. Currently, there are 382 paper mills with an installed capacity of about 49.5 lakh tonnes.

PERFORMANCE OF INDIAN PAPER INDUSTRY

The last financial year (97-98) was a bad time for the paper industry. Liberalized economic policies of government have had an adverse impact on the paper industry.

Low demand growth, excess capacity, increased inventories, cheaper imports resulted in lower prices which depressed the margins of all the paper mills.

To over come the piling inventories mills were forced to offer various incentives and discounts with longer credit periods etc. to dealers and the market in general. Inspite of these sops the inventory situation has not improved.

The devaluation of the Indian rupee w.r.t. to dollar has increased the cost of imported machine clothing, machinery spares, chemicals and also escalated expansion/modernisation programmes costs.

Liberalisation has already taken its toll on some old established companies which have been unable to become cost competitive and improve their product quality. Due to reduced import duty i. e., 30% vs 14% in 1991 there is a flooding of paper imports, especially newsprint. Further because of bringing Newsprint under OGL, writing and printing paper is reported to be entering into the market in the guise of Newsprint. This is worsening the woes of the industry. Unable to withstand in the current cut throat competition about 110 waste paper based mills having an installed capacity of five lakh tonnes are already lying closed.

The performance of the Indian industry in the year 1997 compared with previous year is presented in table-1.

BOTTLENECKS :

The Indian paper industry is highly fragmented one. The mill's capacities range from mere 10 TPD

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TABLE-1

| PAPER & BOARD | PRODUCTION | | IMPORTS | | EXPORTS | |
|----------------------------------|--------------|-----------|-------------|----------|-------------|-----------|
| | 1996 | 1997 | 1996 | 1997 | 1996 | 1997 |
| | LAKH TONNES | | LAKH TONNES | | LAKH TONNES | |
| Newsprint | 3.50 | 4.00 | 5.50 | 5.00 | -- | -- |
| Printing & writing of which : | 11.05 | 11.10 | 1.30 | 1.30 | .65 | 10 |
| Woodfree Uncoated | 10.00 | 10.00 | -- | -- | .65 | 10 |
| Woodfree coated | 1.05 | 1.10 | 1.30 | 1.30 | -- | -- |
| Corrugating paper | 6.80 | 6.75 | .25 | .25 | -- | -- |
| Other Wrapping Papers | .45 | .45 | -- | -- | .05 | -- |
| Tissues | .30 | .30 | .06 | .06 | -- | -- |
| Others | .90 | .90 | .15 | .15 | .15 | 10 |
| Board | 6.50 | 6.50 | .24 | .24 | .10 | .10 |
| Total | 29.50 | 30 | 7.5 | 7 | 1 | .3 |

Source : Pulp & Paper International, July 1998 P. 66

to 600 TPD. There is also an absence of economies of scale. The average paper mill size in India remained at 10,000 tonnes per year, while it increased to 85,000 TPY in Asia-Pacific region and to 45,000 TPY in South East Asia. Similarly, most of the Indian paper machines have a wire width of 1.5 - 3.5 meters and run at slower speeds 100-500 MPM. At present, hardly 10 paper machines are there with a wire width of 5 meters or more. Only few machines are operating in the speed range of 300 to 600 MPM. The fastest machines in India are TNPL's paper machines # 1 & 2 (800 MPM) and Orient's Tissue machine of 1000 MPM.

Further, obsolete machinery and technologies are making the industry as one of the poor performing industry. About 3 lakh people are employed in this core industry. Due to the smaller capacities, the output per head is also very low (10 MT/ Annum) compared to modern mills in Indonesia (52 MT/ Annum) and other developed countries (Table - 3). Another pressing problem of Indian Paper Industry is the availability of suitable rawmaterial. Still the industry could not get clearance for growing suitable species on commercial scale on government waste lands.

To meet the short fall in raw material requirement, Indian paper industry has to depend on imported waste paper and to some extent on pulp also.

However, due to the growing concern for environment and in turn demand for recycled fibre products in developed countries, getting good enough for quality products manufacturing. The high cost of power and coal and higher interest rates (2.5 times) compared to developed countries forbids Indian Industry to compete in cost of production with international players.

PROJECTIONS

Though, the current domestic demand accounts for less than 1 % of global demand, it is going to emerge as one of the fastest growing markets because of expected industrial growth of more than 6-8 % and rising consumerism.

Population growth, increased consumerism, increased literacy levels at the adult and primary levels, an inflow of (Foreign Direct Investment) FDI and a vibrant economy are some of the pointers that

Table-2

| PROJECTS OF GROWTH IN DEMAND | |
|---------------------------------|----|
| PRINTING & WRITING | % |
| Uncoated wood free | 6 |
| Off Set Printing | 7 |
| Copier Paper | 15 |
| WRAPPING & PACKAGING | |
| Kraft Paper | 9 |
| MG Pkg. & Wrapping | 7 |
| BOARDS : | |
| Uncoated folding box board | 10 |
| Coated Carton boards | 15 |
| COATED PAPERS | |
| Chromo (One sided coated) | 10 |
| Art (Two sided coated) | 10 |

Source : Paper Asia Nov. 97 P. 11

predict an increase in per capita consumption from current level of 3.8 kg to 4.0 kg by the turn of this century.

The projected demand for Paper & Board and Newprint by the year 2000 is 40 laks MT and 9 lakh MT respectively. Demand for Paper & Board by the year 2005 is estimated to be 54.8 lakh MT. Demand for News Print is estimated to be 10.9 lakh MT. Projected demand growth for some of the grades of paper and Board is given in Table - 2.

CHALLENGES BEFORE THE INDIAN PAPER INDUSTRY

- High vulnerability to price swings in the global pulp and paper industry. Global competitors selling below our cost.
- On going shortage of fiber.
- Furious intra competition resulting in relentless pressure to produce faster and cheaper to sustain in cut throat competitive and recession market.

- Growing concern for environmental issues.
- Wide spread down times for up-gradation, modernisation and revamping exercises.
- Declining product life.
- Dumping of imports.
- Marketing strategies are to be revamped with changing trends.

OPPORTUNITIES AND APPROACHES BEFORE PAPER INDUSTRY

Despite many odds due to globalisation and challenges to be faced by the paper industry, on the positive side opportunities abound for growth. The only thing is as per natural principle - 'Survival of the fittest' should be the guiding principle.

Some of the approaches are-

- Competing with international products and entrance to Global market through Quality.

As the domestic customers started nourishing international quality products due to liberalised imports, it is imperative for the Indian mills too to upgrade their product quality to survive in the competition and to identify high value added niche products

- Adopting International Quality systems.

To get an equal opportunity to enter into Global market adopting Quality systems to suit international customers is essential. It is forecasted that by the end of 2000 AD, all the major pulp and paper industries in USA, Japan and Europe will obtain ISO 900 (Quality System) Certificates and Indian companies to be competitive exporters has to get the ISO Certification. Already some Indian Mills got ISO Certification and some more are in the process of getting the same.

This gives an opportunity to get customer satisfaction through quality assurance and better productivity.

- Adopting Modern Marketing Techniques

Now, no more selling of paper but in real terms we have to train ourselves for modern techniques in paper marketing. We have to offer our customers

PRODUCTION PER EMPLOYEE IN DIFFERENT COUNTRIES, (YEAR 1997)

TABLE-3

| S. NO | COUNTRY | PRODUCTION MT/ANNUM | NO. OF EMPLOYEES | PRODUCTION/ EMPLOYEE, MT/ANNUM |
|-------|-----------|------------------------|------------------|--------------------------------------|
| 1. | JAPAN | 31015000 | 51229 | 605 |
| 2. | TAIWAN | 4507000 | 21000 | 215 |
| 3. | KOREA | 8364000 | 63000 | 133 |
| 4. | INDONESIA | 4931000 | 95500 | 52 |
| 5. | INDIA | 3000000 | 300000 | 10 |
| 6. | U. S. A. | 86477000 | 220000 | 393 |
| 7. | CANADA | 18969000 | 65000 | 292 |

Source: Derived from data in Pulp & Paper International, July 1998

more services like, JIT (Just-In-Time) delivery, customised products, Consistency in Quality, Highlighting products' specialities.

● **Modernisation of obsolete technology.**

With the liberalised import and fiscal policies, the industry can opt Best Available Technologies to upgrade the machinery and process to improve the overall quality, productivity and make the industry environmental friendly too. Some of the technologies are -

NEW PULPING SYSTEM

Though the technology is highly capital intensive, the advantages such as reduced energy requirement and chemical requirement, pulp with better and uniform quality makes it more attractive technology to be considered seriously.

OXYGEN BLEACHING

Introduction of Oxygen bleaching process reduces the consumption of chlorine and chlorine compounds in bleaching process thereby reducing the discharge

of harmful chlorinated organics into effluents making it as one of the Environmentally friendly technologies.

Installation of Online Process controlling systems

To compete globally in terms of Quality and Costs, it is imperative to produce products of uniform quality and maintain consistency in quality to reduce rejections due to production of off standard paper. To achieve this objective process controllers in the process and in Papermachines are to be installed.

● **Increased Positive growth**

In tandem with general economic growth rates, business activity will also increase. Increased business means increased paper/board consumption, hence increased positive growth.

● **Positive growth due to literacy drive**

Printing and writing paper will continue to be the best performing grade in view of central and local government's stress on literacy drive and growing young population.

● **Internet and other electronic media - a threat ?**

Internet and other electronic media no doubt compete with paper. But they should be viewed as a complement to paper and as a "carrier of information". Long term forecasts indicate continuing good demand for most grades of printing paper. The only thing is that there will be a change in pattern of demand, and naturally the industry will adapt to it.

● **Scope for tailored made distribution.**

Lot of scope is there for conversion from mass distribution to tailored made distribution such as supplying in ready to use cut size of A4 etc., with brand name.

APPM' S EFFORTS TO MEET THE GLOBAL CHALLENGES

- Continuous upgradation of Quality

Realising the importance of brightness and whiteness for cultural varieties of paper, APPM has improved its paper brightness range from $75 \pm 2\%$ to $78 \pm 2\%$ in regular grades and introduced high brightness grades in the range $85 \pm 2\%$ to meet current requirements. In this regard In-House R & D Services are effectively utilised.

To meet the competition, the functional properties of certain grades of paper like copier are upgraded through In-House R & D studies and this has resulted in entry into value added niche products market.

ADOPTING INTERNATIONAL QUALITY SYSTEMS

APPM has noted the importance of ISO certification for Quality system Management and is in the process of getting certified shortly for ISO 9002 Quality system.

MARKETING

Closer to the customer through frequent visits to customer places by marketing personnel as well

as technical personnel to understand the actual requirements of customer to supply the customised products is one of the strategies besides meeting the delivery commitments in time.

MILL DEVELOPMENT PROGRAMMES (MDP)

As a responsible corporate citizen APPM is conscious of environmental protection and thus utilising every opportunity of MDP to choose technology, machinery to make the industry more environmental friendly besides meeting the objectives of improving the overall quality and productivity. Effluent free chloring dioxide generation plant installation and Chlorine dioxide bleaching process, installation of 170 TPD Black liquor solids burning capacity Recovery Boiler with modern efficient ESPS. Conversion of conventional CF boilers to FBC boilers with ESPS, 100 TPD Rotary Lime Kiln are some of the timely steps to meet the above sited twin objectives.

Modification of Machine # 3 at a cost of Rs. 42 crores clubbed with continuous stock preparation with DCS and modern rewinder of 100 TPD helped to sustain in the current market situation and meet the quality challenges.

Efforts are underway to reduce pollution load and augment the pulp demand through revamping brown stock washing system and bleaching process.

CONCLUSION

The challenges are not insurmountable, only grit, confidence, patience (for failures) and impatience (for status quo) are required.

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