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BLOG

Assam paper mills under threat of closure



[Daya Nath Singh](#) · 08:07, 1 Feb 2014 · 73311 views · 3 min read



With an idea to get rapid development of the Northeastern region, the Union government constituted a separate directorate, namely, the Directorate of North Eastern Region (DoNER), which has now turned to 'do nothing in entire region'. This can be judged by the activities going on in the two major paper mills in the state of Assam, which are facing a threat of closure at any time. These paper mills, the units of Hindustan Paper Corporation Ltd, the Nagaon Paper Mills, Jagiroad in Morigaon district and the Cachar Paper Mill, in Panchgram of Barak valley, are suffering from acute shortage of raw materials for several years. The production in both mills have been badly affected and workers have to lose their livelihood due to frequent closure of mills. Sometimes, these mills do not get sufficient bamboos to store in and sufficient coal to continue production. The workers' unions have time to time informed the state and Union governments about these problems, but the situation has not improved. It seems that the DoNER has no role to help these mills, which provide employment to thousands of local people.

Till the year 2008-09, the HPCL was paying dividend to the state exchequer. Gregarious flowering of bamboo coupled with transportation bottleneck caused serious setback to the Cachar Paper Mill at Panchgram. Nagaon Paper Mill has also to face the shortage of bamboo. The prices of main fibrous raw material shoot up to an unmanageable level and as a result of that the cost of finished products have increased manifold. The sub-optimal and irregular operation have affected the machineries, product cost and quality. The variable cost and the fixed cost in terms of per ton of finished product is more than the sale price. The working capital has exhausted and depends only on bank loan or cash credit. Every supplier is to get their outstanding. They are no more interested to invest further. The suppliers never allow the paper mills to build up stock on the ground they are to receive huge outstanding. The suppliers are taking advantages of fund crisis. Despite of all these odds, the two mills had produced more than two lakhs of finished product per year.

Both mills have to face non-cooperation from the Mizoram government, Karbi Anglong and Dima Hasao Autonomous Councils, in respect of supply of bamboo to them. Transportation bottle-neck for Cachar Paper Mill and non-completion of modernization and technical up-gradation project (MTUP) and credit purchases of raw materials at higher rates are the other problems faced by the mills. Since the payments against the orders are received in advance the paper has to be sold at discounted rates.

A logistical constraint incurs an additional cost of rupees six to seven thousand per metric ton on inbound and outbound material for Cachar Paper Mill and about rupees three thousand for Nagaon Paper Mill, according to a study report of Department Related Parliamentary Standing Committee on Industry (DRPSCI).

Despite severe crisis the HPCL has to pay hard cash to the state exchequer. Over and above these payments, huge amount is contributed as royalty on bamboo, the HPCL has also to take burden of corporate social responsibilities. It is providing drinking water, building schools and roads, extending health services to the nearby ones, job oriented training to the eligible boys and girls, providing study facility at Kendriya Vidyalaya of the locality, employment to thousands of daily wage earners, training internship facility to the technical management students. About eighty percent of the regular employees are from the locality.



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