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OJI DISCLOSURE

OJI PAPÉIS ESPECIAIS FOCUSES ON THERMAL PAPER AND REGISTERS A 16% SALES INCREASE IN 2014

OJI Papéis Especiais possesses an annual production capacity of 120 thousand tons of paper, of which thermal paper accounts for almost 60% of this total. Together with carbonless paper and offset paper, which complement the company's portfolio, the product was responsible for a 16% sales increase in 2014 in comparison with results presented the previous year.

"Growth was motivated by several factors, including the World Cup, which temporarily helped boost trade movement, and formalization of the economy, which generated a greater amount of tax receipts issued," says OJI's commercial director Silney Szysko. According to the executive, last year also marked the company's consolidation in the external market. "We had the opportunity to penetrate new business niches and regions, which contributed to our growth," he said about the company's performance in South America.

In this month's Interview, Silney Szysko provides an analysis of the specialty papers segment, says why the company is following the premise of focusing on the production and sale of thermal paper, mentions the reasons that justify the recent investment to increase capacity, and lists the strategies for maintaining competitiveness over the next years.

O Papel – How do you evaluate the current market of specialty papers?

Silney Szysko – The specialty papers market has grown over the last years, demonstrating some subtle characteristics, such as high product variety, low scale, need for flexibility, among others. Speaking specifically about thermal papers, we believe that there are still many opportunities, in view that its growth is still driven by new products and applications, by a population that will have more and more access to the formal economy and, consequently, greater consumption. On the other hand, we have seen successive drops in carbonless paper in Brazil since the electronic invoice was implemented, and POS (point of sale) substituted it for thermal paper. This is also occurring in other countries, albeit, at a much slower speed, which still allows us to exploit and think about growing over the next years. There exists potential for the segment abroad.

O Papel – Are the company's recent investments amounting to R\$17 million to satisfy these market characteristics? What reasons justify such investments?

Szysko – The company invested in capacity increases and improvements at the beginning of last year, precisely to support domestic market growth, and also contribute to our export expansion plans. The investment ensured a 20% increase in capacity of thermal papers. The company has now an annual production of roughly 70 thousand tons, ensuring product supply to effectively service clients.

O Papel – In what stages of the production process were investments allocated to?

Szysko – The investments that yielded productivity gains were made in the coating machines for thermal paper. We installed new paper dryers, increasing operation speeds by 20%, and also increasing the preparation capacity for supplying ink to the machines.

O Papel – How is the company performing in 2015? Are numbers just as positive as they were for the same months a year ago?

Szysko – The first quarter of 2015 kept up with the pace observed at the end of 2014, with good demand. The difference resides in the many uncertainties seen today. Nonetheless, we already forecasted that this would be a difficult year and, therefore, we were very careful in defining targets. We expect very timid growth

in view of the macroeconomic and political scenario, so we have been very cautious. After the first few months of the year, we can already see signs of challenges to be faced: credit restriction, higher interest rates and payment delinquency. If the forecast that we are about to experience a recession comes true, we need to pay even more attention on what happens to demand.

O Papel – Is there any particular niche receiving more attention from your company? Why?

Szysko – In the thermal paper segment, all niches have their importance, however, each one deserves a different focus. Flexibility, service, diversified portfolio with product variety, strong ties in all links of the chain and high-quality products requirement are some of the attributes we work with to satisfy all market needs.

O Papel – Given the challenging scenario, what are the company's commercial strategies to maintain the good result and become stronger in the business niches it focuses on, not just this year, but the next ones also?

Szysko – The main strategic pillars for strengthening our competitiveness over the next years are: consolidate our market share at 80%, maintaining the same levels as previous years; consolidate the export business as a whole, and grow in some regions with higher value-added papers, such as those used for events and games, access controls and self-stick labels. Regions like Argentina, Venezuela and Colombia have this potential. Working in a segmented manner, we have conditions of identifying opportunities and offering customized products.

O Papel – Do the 2015 strategies already include consolidation of the external market? How does the company intend to strengthen itself in the South American market and which countries are you focusing on?

Szysko – The decision to participate in the external market comprises a series of stages. For starters, you need to be competitive. And, then, it is very important to conquer the trust of clients and have adequate products to be used in these countries. Furthermore, multiculturalism and product customization are key aspects to be successful. We are currently present in practically all countries in South America. Our main challenge is to be able to grow year-by-year in a sustainable manner, with the certainty that we are an excellent supply option for thermal paper. ■

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