

## Papyrus Australia (PPY) 18.5c

STILL on an enviro-friendly theme, a few factors have conspired against alternative paper maker Papyrus Australia. Listing on one of the market's worst days (April 15) didn't help sentiment and nor does the depressed global paper price.

As a result, Papyrus stock has drifted from its 20c a share issue price but, given the market, has done OK.

Papyrus's proposition – to produce paper products from the remnants of banana trees – is worth a closer look.

Its \$4 million raising was undertaken to commercialise the relevant technology patented by founder and major shareholder Ramy Azer.

Unlike traditional paper, the patented Papyrus process does not require pulping, which uses an enormous amount of water and energy.

The raw paper is also naturally white, so does not require bleaching. Banana tree trunks are also abundant and an unwanted farming by-product.

If all goes well, Papyrus will make a prototype production line at its Adelaide base and ship it to northern Queensland.

After 18 months, the company expects to produce 20,000 tonnes a year under a test program, generating \$20 million of revenue at today's prices.

Based on a Canadian case study, banana paper can be produced for \$147 a tonne compared with \$689 for traditional paper, the main difference being vastly reduced labour and power costs.

Currently, 250 gsm grade paper (the grade Papyrus will produce) sells for about \$1000 a tonne, but high-quality art paper can sell for up to \$10,000 a tonne.

Papyrus chairman David Wyatt says the paper can be used for applications such as newsprint, cement bags and – aptly – banana boxes.

Another revenue option is to license out the technology and send the mini-factories to wherever the bananas are.

*Criterion* believes Papyrus is on to a good idea, albeit one which is ahead of its time. It's a **SPECULATIVE BUY**, but don't go bananas.

### LINKS

[borehamt@theaustralian.com.au](mailto:borehamt@theaustralian.com.au)

*The Australian* accepts no responsibility for stock recommendations. Readers should contact a licensed financial adviser. The author has no interest in the above companies.