



www.eprawisdom.com

Research Paper

ORIGIN AND GROWTH OF PAPER INDUSTRY IN TELANGANA STATE

-A Study of Sirpur Paper Mills Ltd. Sirpur Kagaznagar, Adilabad Dist. T.S.

Dr. Yellaswamy Ambati¹

¹Lecturer in Commerce, T.S. Model Junior College, Jangaon.
Warangal, Telangana State, India

ABSTRACT

The Sirpur-Kagaznagar (Telangana State, India) is strategically located near multiple raw material sources and a perennial river source. The company has been contributing its might to modernise its operations to enhance quality, productivity and efficiency on continuous process. The recent decision to enhance its investment i.e., Rs. 294 crores is a benchmark to its commitment to extend facilities in line with international standards and enhance installed capacity to 138,300 MT per annum. The Sirpur Paper Mills Limited presently has got eight operational paper machines producing different types of papers.

KEYWORDS: Paper Industry, Productivity, Sustainability, Capital Employed, Turnover.

INTRODUCTION

The Sirpur Paper Mills Limited (SPML) is one of the largest Indian integrated paper manufacturers, specialising in the customisation of niche varieties right down to small volumes. Over the years, Sirpur has also established itself as the most dependable and profitable paper brands in India. SPM Limited got first prize for prestigious National Energy Conservation award 2013 and Sate Energy Conservation awards for the year 2012-13.

NEED OF THE STUDY

Growth and sustainability of the company mainly depends on the productivity. Productivity in paper industry is a measure of performance of the production activity and refers to the amount of output produced per unit of input. Total factor productivity can be measured to a maximum extent with labour productivity and capital productivity that is normally associated with the process of capital accumulation along with technological up-gradation. In developing countries like India with a multiplicity of socio-economic demands it is a challenging task for companies to meet all such demands with limited resources. Thus, the productivity of such investments which yield further re-investment resource resulting in surplus generation only could motivate entrepreneurs towards undertaking further industrial activity.

On this pretext, one paper mill is selected for the study i.e., "Sirpur Paper Mills Limited", Adilabad District, Telangana State.

OBJECTIVES OF THE STUDY

The following are the objectives of the paper industry. It includes;

- 1) To study the Historical outlook of SPML
- 2) To study the Milestones of SPML.
- 3) To study the Procurement of raw material of SPML
- 4) To study the Overall performance of SPML

RESEARCH METHODOLOGY

The study is based on secondary data. The secondary data was collected include the following: earlier studies/reports on selected paper units, annual reports of the selected undertakings, textbooks, journals, periodicals, daily news papers, web sites etc.

Selection of sample:-

In order to carry out my research, I have selected one established paper manufacturing company from Telangana State;

Sirpur Paper Mills Limited (SPML): It is situated at Sirpur town in Adilabad district of Telangana State.

1. Historical Outlook of the SPML

SPML was incorporated in 1938 as an integrated paper manufacturing Company and management was controlled by Hyderabad Construction Company Ltd. In 1942 production commenced with 14 TPD. In 1953, Management was taken over by Birla Brothers. It is one of the largest manufacturers of variety and colour paper in India. The company's registered office was located in Hyderabad and



corporate office is in Gurgaon. Manufacturing facility at Sirpur Kaghaznagar was originally designed to manufacture 5,100 tonnes of paper per annum. With a series of expansions taken place during these years it has increased the installed capacity to 83,550 tonnes per annum.

SPML also has a machinery division and a consultancy division. The other company in the Poddar group includes the profitable flagship, Aravali Leasing (ALL). The company manufactures all kind of paper products including writing paper, printing paper, bank ledgers, Indian account book paper, imitation art, imitation laid craft, typewriting paper, duplicating paper, wrapping paper, art paper, chrome paper and bond paper. All its products are sold under the Sirpur trade name.

The company has been taking adequate steps to cut manufacturing cost. In this direction it has installed 75 TPH FBC Boiler and it is expected to result in consumption of cheaper varieties of coal thus cost saving. The company sponsored a farm forestry scheme for raising fast growing species of pulpwood plants under its Social Forestry Programme. The company has acquired 100% shares of Sirpur Stationery Products Ltd in 1999-2000, to establish a paper conversion unit. In 2003-04, the Andhra Pradesh government disinvested its 6.34 per cent stake in the Company which was purchased by the promoters enhancing their stake in the Company to 43.25 per cent.

The following tabulated information provides a list of steps initiated over a period of time to enhance its abilities of production to withstand increased competition in the market.

2. Milestones of SPML

Key Events, Milestones and Achievements

Year	Key Events, Milestones and Achievements
1938	Company incorporated. Management controlled by Hyderabad Construction Company Ltd.
1942	Production commenced with a capacity of 14 TPD.
1949	Management taken over by industrial trust funds of the state government.
1953	Paper machine 2 commissioned with a capacity of 16 TPD. Management taken over by Birla Brothers.
1956	Turbo alternator 2 and 3 commissioned with capacity of 7.5 MW each.
1959	Paper machine 3 commissioned with a capacity of 60 TPD.
1966	Paper machine 4 commissioned with a capacity of 10 TPD.
1974	Paper machine 6 for the manufacture of boards commissioned with a capacity of 60 TPD.
1976	Paper machine 5 commissioned with a capacity of 10 TPD.
1980	Turbo alternator 4 commissioned with a capacity of 2.4 MW..
1982	Evaporator commissioned with a capacity of 50 TPH.
1984	Recovery boiler for processing thick black liquor solids of 275 TPD commissioned. Primary stage effluent plant commissioned.
1985	Turbo alternator 5 commissioned with a capacity of 5 MW.
1986	A secondary stage effluent treatment plant commissioned.
1987	Drum chipper commissioned with a capacity of 20 TPH.
1994	A second drum chipper commissioned with a capacity of 20 TPH. 75 TPH FBC boiler commissioned, enabling the Company to use low-grade, high-ash content coal for captive power generation. The management taken over by Shri Ranjan Kumar Poddar.
1999	A second 75 TPH boiler commissioned, making the Company totally self-reliant with regards to power requirement.
2000	The Company installed an SAP/R3 client-server based, enterprise-wide resource planning solution. Non-ferric alum plant of 25 TPD commissioned.
2002	Paper machine 7 (60 TPD) commissioned, increasing the Company's installed capacity to 83,550 TPA. Commencement of a new bleaching unit. The soda recovery boiler was retrofitted.
2003	A 9.5 MW turbo alternator and cooling tower installed.
2005	A 135 TPD rotary lime kiln installed.
2007	M/s Alfa Laval make Free Flow Falling Film Black Liquor Evaporation Plant. Water Evaporation Cap. 161 TPH
2008	2x25 TPH Capacity drum chippers along with shaker screens, Re-Chipper, Silo & Conveyors.
2008	7x120M ³ capacity Digesters with pre-heaters & Blow Tanks.
2008	M/s Andritz Finland makes Fibre line plant with the capacity of 350 MT Unbleached pulp/ Bleached pulp 320 TPD.
2008	M/s UDHE make 1x7.5 TPD clo ₂ Plant.
2008	M/s MVS Engineering make 1x350 NM ³ per hour oxygen plant & 1x25 NM ³ per hour nitrogen plant.
2008	BHEL make 1x675 TPD Chemical Recovery boiler plant.
2010	Twin Roll Press with capacity of 30-40 TPD wet pulp per day.

Capacities and Products Manufactured on machines of SPML

Paper Machine	GSM	Boards Varieties / Specific Product	Capacity
Machine -I	60-300	Kraft, Writing and Printing Paper Deluxe map litho, azure laid, ledger laid, MF Kraft, unbleached absorbent Kraft / padding wrapper	31 TPD
Machine -II	56-120	Writing and Printing Paper Superior / map printing ledger laid, azure laid.	31 TPD
Machine -III	47-80	Writing and Printing Paper Coloured printing, cream wove	39 TPD
Machine -IV	30-120	Speciality paper Coloured map litho, white map litho SS/NS, cheque, parchment paper, Bible printing, accounts book paper, airmail parchment, bank paper and Apollo bond	9 TPD
Machine -V	56-300	Speciality paper Coloured pastel, cover paper, pulp board, duplicating, greeting paper and coloured printing paper.	12 TPD
Machine -VI	250-700	Board MF white duplex board, MF unbleached coloured triplex board, deluxe bleached coloured triplex board and MF unbleached triplex board	47 TPD
Machine -VII	47-120	Writing and printing paper Cream wove, prime map litho SS Base for coated paper.	60 TPD
Machine -VIII	47-120	Writing and Printing papers copier grade.	150 TPD

3. Procurement of Raw Material

The Sirpur Paper Mills Limited procures different types of raw material with a view to reduce the cost of raw material without compromising quality to have a competitive edge.

- Bamboo
- Hardwood-Eucalyptus and Subabul
- Paper Cutting
- Caustic soda lye and flakes
- Liquid chlorine
- Sodium Sulphate
- Hydrochloric acid
- Lime and Lime stone, sea shells
- Hydrogen peroxide
- Alum (Ferric and non-ferric)
- Fortified resin
- Alumina Hydrate
- Whitening agent and dyes
- Maize starch
- Furnace oil
- HDPE Woven fabric, reel core
- Graphite anodal

Quality of the Products

The SPML everyday conduct more than 24 quality checks on the shop floor;

- In the business of paper manufacture, every batch needs to be customised as per diverse customer requirements. In turn, this means that product specifications need to be evolved periodically; any

under- delivery could affect brand image and the prospect of future revenues.

- The Sirpur Paper Mills Ltd.'s consistent product quality which stands as a testimony of its capability. The Company supplies writing and printing paper to some of the leading publishers and card manufacturers.
- It has a dominant presence in the industrial board segment through supplies to major manufacturers, shrimp packers, office file manufacturers and dry battery manufacturers.
- Its unbleached absorbent Kraft especially is in greater demand by leading decorative and electrical laminators of India.
- Quality checks are incorporated at every stage. With more than 24 quality checks a day on the shop floor before final delivery.
- On a regular basis, investments are made in the quality control unit for skill enhancement. The Company also does a regular checking and monitoring of discipline across the chemical concentration to impart requisite properties of the paper.
- The investment of Rs. 294 corers made recently could enable the company to produce paper chlorine-free. An advanced fibre line, using ECF technology, with lower pollution, lower water consumption and proper effluent discharge, could enhance the quality of bleach pulp leading to a higher brightness and social friendliness.

4. Overall Performance of SPML

The company has been contributing its might to prove worthy of its existence. The following table presents the overall performance of SPML from 2003-04 to 2012-13.

Overall Performance of SPML

(“ in Lakhs)

Years Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Employed	261.31	292.03	369.31	506.26	543.53	563.51	547.42	515.04	637.03	595.40
Turnover	216.57	220.26	233.33	241.86	243.08	346.21	335.49	364.59	386.69	349.92
Gross Margin	34.49	29.57	31.86	60.83	34.61	58.72	53.19	46.93	49.79	(28.54)
Depreciation	8.08	8.63	9.91	10.05	11.72	29.93	29.75	30.35	29.99	29.27
EBIT	26.41	20.94	21.95	50.78	22.89	28.79	23.44	16.58	19.80	(57.81)
Interest	1.59	2.13	3.65	3.02	0.63	26.16	25.77	27.35	29.98	29.27
EBT	24.82	18.81	18.3	47.76	22.26	2.63	(2.33)	(10.77)	(10.18)	(87.08)
Turnover to Capital Employed (%)	82.88	75.42	63.17	47.77	44.72	61.44	61.28	70.79	60.70	(58.77)
EBIT to Capital Employed (%)	10.11	7.17	5.94	10.03	4.21	5.10	4.28	3.21	3.10	(9.87)
EBT to Capital Employed (%)	9.49	6.44	4.95	9.43	4.09	0.46	(0.42)	(2.09)	(1.59)	(14.62)

Source: Annual Reports of SPML from 2003-04 to 2012-13.

The data reveals that the variables that exhibit the success/failure of the SPML in terms of performance. It is quite impressive to see that the turnover of the company is on increase especially in 2011-12 where 78 per cent hike can be observed to that of base year 2003-04. Gross margins also shown increasing trend with an exception in one or two years during the period of the study. A pathetic position can be observed in 2012-13 where a negative gross margin was identified due to frequent interruptions in operations mainly because of labour strikes and lay-offs. The components of interest and depreciation were on rising throughout the study period showing a negative impact on EBT especially in the latest four years of the study.

In order to analyse thoroughly the profitability and turnover trends of the company were observed for the entire study period. I have compared three ratios viz., turnover, EBIT and EBT with that of capital employed. Capital employed is worked out on gross basis taking into account the total value of assets without adjusting for trade creditors. On an average the turnover recorded 63% of capital employed throughout the period of study. The proportions of turnover to capital employed were on appreciable level at 82.88%, 75.42% and 70.79% during 2003-04, 2004-05 and 2010-11 respectively. The EBIT arrived at after adjusting for depreciation from Gross margin accounted for a declining trend during the study period mainly because of abnormal increase in Wear and Tear of fixed assets during last five years of the study. The proportion of EBIT to capital employed was negative in the current year i.e.2012-13. The higher ratio of EBIT to capital employed was found in 2003-04 i.e. 10.11%. With regard to earnings before tax only in first six years of the study period the proportion of EBT to capital employed was positive recording highest proportion in 2003-04 (9.49%) and 2006-07 (9.43%). During the last four years of the study the proportions were negative because of increase in interest payments in these years.

The overall performance of the company in terms of profitability depicted better position in first half of the period of the study and shown declined trend in the last four years of the study period. Whereas in terms of turnover the company excelled in almost all years reflecting the companies' successful performance in production and sales. The abnormal

rate of increase in depreciation and interest led to decline in profitable performance of the company.

FINDINGS OF THE STUDY

1. The Sirpur Paper Mills Limited and Sirpur Khagaznagar (83550 tonnes) stand in the hierarchical order in terms of present installation capacities. Around 60% of total installed capacities are established in Telangana State mainly due to availability of abundant raw material in this state.
2. SPML was incorporated in 1938 as an integrated paper manufacturing Company and management was controlled by Hyderabad Construction Company Ltd. In 1942 production commenced with 14 TPD. In 1953, Management was taken over by Birla Brothers.
3. It is one of the largest manufacturers of variety and colour paper in India. The company's registered office was located in Hyderabad and corporate office is in Gurgaon. Manufacturing facility at Sirpur Kaghaznagar was originally designed to manufacture 5,100 tonnes of paper per annum. With a series of expansions taken place during these years it has increased the installed capacity to 83,550 tonnes per annum.
4. The overall performance of the company in terms of profitability depicted better position in first half of the period of the study and shown declined trend in the last four years of the study period.
5. Whereas in terms of turnover the company excelled in almost all years reflecting the companies' successful performance in production and sales. The abnormal rate of increase in depreciation and interest led to decline in profitable performance of the company.

REFERENCES

1. Ahluwalia, I.J. (1991), "Productivity and Growth in Indian Manufacturing," Oxford University Press, Delhi.
2. Banga, Rashmi and Goldar, Bishwanath. 2007. "Contribution of Services to Output Growth and Productivity in Indian Manufacturing: Pre-and Post Reforms." *Economic and Political Weekly* 42, no.26: 2769 – 2777.

3. Balakrishnan, Pulapre; K. Pushpangadan; and M. Suresh Babu. 2000. "Trade Liberalization and Productivity Growth in Manufacturing: Evidence from Firm Level Panel Data." *economic and Political Weekly* 35, no.41: 3679-3682.
4. Coelli, Tim. 1996. "A guide to DEAP Version 2.1: A Data Envelopment Analysis Computer Program." CEPA Working Paper 96/08, University of New England, Australia.
5. Das, Deb Kusum. 2004. "Manufacturing Productivity under Varying Trade Regimes, 1980- 2000." *Economic and Political Weekly* 39, no.5: 423-433.
6. Editorial (2012, February 17). Paper Chase. *The Hindu*, p. 12
7. Food and Agriculture Organisation, Statistical Database, Various years, <http://faostat.fao.org> accessed on 30 April, 2011.
8. Food and Agriculture Organization (2008): "Advisory Committee on Paper and Wood Products." 49th Session, Bakubung, South Africa.
9. Goldar, B.N. (2010): "Energy intensity of Indian manufacturing firms: Effects of energy process, technology and firm characteristics", IEG, Delhi.
10. Indiatat, Statistical database, various years, www.indiatat.com accessed on 2 August 2011.
11. International Energy Agency. (2011). *Energy transition for industry: India and the global context*, Information paper, Rue de la Federation, Paris, France.
12. Narayana, K., and S.K. Sahu (2010): "Labor and Energy Intensity: A Study of Pulp and Paper Industries in India." Paper to be presented in the Joint Annual International Conference of IASSI and Knowledge Forum, Mumbai, India, 11-12 November.
13. Planning Commission. (2008). *Eleventh Five Year Plan 2007-2012. Volume III. Government of India, New Delhi.*
14. Ramaseshan, S. (1989): "The History of Paper Industry in India up to 1948", *Indian Journal of History of Science*, 24 (2) 103-121.
15. Ray, B. K. and B. S. Reddy (2007): "Decomposition of Energy Consumption and Energy Intensity in Indian Manufacturing Industries", WP. 2007-020, IGIDR, 1-33.
16. Singh S.P, and Shivi Agarwal. 2006. "Total Factor Productivity Growth, Technical Progress and Efficiency Change in Sugar Industry of Uttar Pradesh." *The Indian Economic Journal* 54, no.2: 59-82.