CHAPTER - III

PAPER MILL

The word, ‘paper’ is derived from the name of the plant. “Papyrus”. It grows abundantly along the Nile River in Egypt. In ancient times, papyrus was the most widely used writing material and many papyrus records still survive.

Paper is the basic material used for written communication and the dissemination of information. In addition, paper and paperboard provide materials for hundreds of other uses, such as wrapping, packaging, toweling, insulating, and photography.¹

By the 14th century a number of paper mills were started in Europe, particularly in Spain, Italy, France and Germany. The invention of printing in the 1450s brought a vastly increased demand for paper. Through the 18th century the papermaking process remained essentially unchanged, with linen and cotton rags furnishing the basic raw materials.

In the early times, India had been an important producer of hand-made paper. With the establishment of the Bally Paper Mills, in 1867, the paper industry in India started in the modern sense. Early attempt to manufacture paper was made by Dr. William Carey, the well-known missionary in 1716 at Tranqubar, then a

Danish settlement in Tanjore district\(^2\). This may be considered as the first paper mill in India. The attempt, however, was not successful in the true sense of the term. Subsequent to the development of the Bally Paper Mills, a number of other paper mills were started in the different parts of the country. The Titaghur Paper Mill was started in 1882. The Deccan Paper Mill Co. started work at Poona in 1887 and the Bengal Paper Mill Co came into existence in 1889 at Raniganj, West Bengal\(^3\). The Indian Paper Pulp Co started production in 1918 at Naihati. In 1925, protection was extended to the industry and a duty of 15 percent was levied on some imported varieties of paper. The rate of duty, however, was further increased in 1932 and 1938, specially on writing and printing paper. The Bamboo Paper Industry (Protection) Act was passed in 1925 and this inspired the utilisation of bamboo pulp for the production of paper\(^4\). The Act was initially passed for seven years and was renewed in 1932 and 1938 and the rate of duty was further increased. On the recommendation of the Tariff Board, the period of protection was extended upto March 1947. The Second World War gave a great impetus to the industry. The number of paper mills increased to 15, and production reached 1,03,884 tons in 1944\(^5\). Protection given to the industry in 1925 was withdrawn in 1947. Due to scarcity of paper control was imposed in 1942. Control was,

\(^3\) Ibid.,
however, lifted in 1951\textsuperscript{6}. Since 1950 the industry has made rapid progress. The present capacity of the paper mill industry is more than 500,000 tons\textsuperscript{7}.

A number of paper mills were established in the different parts of the country during 1959 and 1960 at Choudwar and Kesinga in Orissa, Faridabad in Punjab, Bhopal in M.P. and Dandeli in Mysore State. There were only 24 mills in India in 1961-62 with a capacity of 310,000 tons as compared to 55 at present\textsuperscript{8}.

**Production of Varieties of Paper in India:**

India produces various types of paper which include writing and printing paper, kraft paper, paper board, straw board and newsprint. India produces almost all classes of printing and writing paper including bond, azurelaid, manifold, art paper, duplicating paper, etc. India may be considered almost self-sufficient in the production of writing and printing paper. The country can also meet its requirements of kraft paper used for packing. The most important paper board factory is located at Dalmianagar. Various types of paper boards including duplex, triplex, mount board, art-chromo board and pasteboards are manufactured in India.

\textsuperscript{6} Ibid.,
\textsuperscript{7} M.R. Chaudhuri, *op.cit.*, p. 133.
\textsuperscript{8} Government of India Planning Commission, Third Five Year Plan, New Delhi, 1966, p.459.
Saharanpur is the most important producer of strawboard in the country. The first strawboard factory was started here in 1930. India produces much in excess of her requirement of strawboard at present.

Production of tissue paper has recently commenced at Tribeni, West Bengal. A paper and strawboard mill known as Ballarpur Paper and Strawboard Mills has been started in the Chanda district, in Maharashtra. Attempts are also being made to produce toilet, blotting, match, cigarette and other necessary types of paper in India.

**Newsprint:**

India is considerably dependent on other countries for newsprint. Himalayan silver fir, spruce, etc., can be utilised for the production of newsprint. India requires about 125,000 tons of newsprint annually. A newsprint factory, known as National Newsprint and Paper Mills Limited was started at Nepanagar in the Chanda district in Maharashtra. Production of newsprint in this factory started from January, 1955. The mill has an installed capacity of 30,000 tons.

India is at present far from being self-sufficient in paper i.e. ordinary writing and printing paper. The present internal demand for paper is estimated at 240,000 tons per year and the indigenous production is of the order of 170,000

---

9. Ibid.,
The deficit is being met by imports having regard to the rapid rate of increase envisaged in the second five year plan in industrial production. Due to education and the general standard of living, the demand for paper and paper board was expected to reach the figure of 350,000 tons by 1960-61 and to provide for this, it was considered necessary to plan for an installed production capacity of about 450,000 tons. The existing paper mills and the new projects licensed already are expected to reach the figure of 422,000 tons by 1960-61. It is therefore necessary to bring into existence additional production capacity of about 28,000 tons to make the country self sufficient in paper.

In Tamil Nadu there was not even one paper mill in the beginning and the entire state requirements of the essential article were met by imports from outside. This is more regrettable because Madras state got all facilities for the paper industry viz, raw materials such as bamboo, timber, chemicals and power and water supply in adequate measure. The government of Madras had been anxious that a few paper mills should be established in the state. With this end in view they discussed the subject with the experts of the Government of India.

Recently two teams of foreign paper experts one German and the other Italian, inspected the facilities available for the development of the Industry in this state. As a result of these investigations it was felt that with the resources of

---

12. Ibid.,
14. Ibid.,
eucalyptus, wattle and other soft woods now available it would be possible to set up two units for the production of ordinary writing and printing paper in the Nilgiris. One at Bhavani Sagar and the other at Mettur each with a daily production capacity of 50/60 tonnes.\textsuperscript{15}

The paper industry has developed well in the private sector and the Government of India and the Planning Commission are both of the view that it should continue to be in the private sector. The Government therefore invited proposals from industrialists for starting paper mills at Bhavanisagar and Metturdam. They would be prepared to consider the question of granting all reasonable facilities to promoters. Financial assistance will be available from the industrial finance corporation of India and the Industrial credit and Investment Corporation. Applications for license to establish paper mills, should be made to the Government of India, Ministry of Commerce and Industry in the prescribed form.\textsuperscript{16}

**Sun Paper Mill Limited**

The Sun Paper Mill Limited was established on 11 June 1961 as a Public Limited Company to manufacture all varieties of paper, pulp and newsprint.\textsuperscript{17} The company was issued the certificate of commencement of business on 2nd August

\textsuperscript{15} *Madras Information*, Madras, dated 13 January, 1956, p.274.
\textsuperscript{16} Industries & Development and Regulation Act 1951.
The factory is situated in Ariyanaykipuram village in Tirunelveli District of Tamilnadu. The factory site is located at about 16 kms from Tirunelveli Railway Junction.

The company started with a capacity of 5000 MTs per annum and is at present having a capacity of 22000 MTs per annum. It supplies to many of the leading newspaper publications in Tamilnadu, Kerala, Karnataka and Andhra Pradesh. It supplies to the Daily Thanthi, one of the associate concerns who is one of the major customers of the company accounting for about 6.5 percent of the total sales turnover. The company is presently operating at its full capacity and has not so far faced any problems in marketing its produce. The company was one of the first in India to use mechanical wood pulp from odai trees, (Prosopis Spicigera) a local variety available in abundance, for the manufacture of newsprint. The company has successfully undertaken modernization and capacity expansion programmes at different stages in the past. B. Sivanthi Adithan is the promoter of the Company. The promoters group as per the definition of SEBI

---

19. Ibid.,
20. B. Sivanthi Adithan graduated from Presidency College, Chennai, and he was conferred Honorary Doctorate Degree by Madurai Kamaraj University, Madras University and Annamalai University for his outstanding contribution in the fields of Journalism, Sports and Education. As a promoter of the Sun Paper Mill Limited, he guided its growth for over the past 3 decades his flagship publication the Daily Thanthi is the largest selling vernacular daily in Tamilnadu. He is also the publisher of several highly popular and widely circulated magazines. He has played a pioneering role in the newspaper Industry. He is the immediate past president of Indian Newspaper society. His tremendous contribution to the newspaper industry has won accolades from several national and International bodies. He also established Gay Travels Private Limited, a leading travel and ticketing agency in Tamilnadu. Dr. Adityan is the guiding spirit of sports development in India.
clarification XIII consists of B. Sivanthi Adihan, Aditanar Educational Institutions, Si. Pa, Aditanar and Govindammal, Sivanthai Farms Pvt. Limited, Gay Travels Pvt., Shiva Investments - Partnership firm and Nellai Murasu Private Limited. B. Sivanthi Adihan is the Chairman, Managing Director and the other Directors are P. Kannan, I. Uthirapandian and R. Krishnakanthan, V. Anbalagan is the Executive Director.  

The Paper Industry is power intensive with the cost of power and fuel constituting about 30 percent of the cost of production. With increasing power costs and decreasing stability in availability of power from the state Electricity Board, cogeneration found to be a profitable alternative addressing both these issues. Accordingly, the company submitted the project report to the Electrical Board who after appraising it, sanctioned a term loan of Rs.14 crores for project cogeneration in the sequential production of power and thermal energy steam of heat for an industrial process. It is a natural option for industries with requirements. For the paper industry steam requirements are met by a 10 Tons Per Hour (TPH) low high capacity boiler apart from meeting the present power requirements also. After a thorough and detailed study it was decided to put up a 32 Tons Per Hour (TPH) boiler which would meet the present steam requirements as well as the power needs by condensing the balance steam. The capacity of the

---

plant will be 5.8 MW and this will satisfy the present power requirements. These facilities have been designed with flexibility to add on further expansion in the same place at a later date.

Total of about 30.15 acres at a cost of Rs.12.31 lakhs has been acquired for setting up co-generation power plant.\textsuperscript{24} There is enough space available if further expansion is to be taken up at a later date. The area is an extension of the existing paper mill and is meant for industrial use only. The entire land is owned by the company in its name. The land acquired has been developed fully for this project. It was decided to raise the ground level by 1.75 mtr to meet out any kind of eventuality. After detailed study of the land the foundation and column were designed for better strength features. The site was be connected by a well laid road specifically for this purpose.

The entire civil construction consists of factory buildings, the boiler and its auxiliaries, turbine and its auxiliaries and other ancillary equipment. The amount spent on buildings till 15 December 97 was Rs.1,57,2 lakhs and the amount spent was about Rs.18 Lakhs.

The total value of the machinery which the company intended to buy was Rs.1909 lakhs. The company placed orders for indigenous plant and machinery / miscellaneous fixed assets as on 26 December 97 to the tune of Rs.1765.65 lacs.

\textsuperscript{24} Ibid.,
M/s. Industrial & Technical consultancy organization of Tamilnadu Limited (ITCOT) have provided technical consultancy for the co-generation project on preparation of detailed techno commercial project report, design and engineering services, design supervision services.

A combination of raw materials such as odai (Prosopis Spicigera Linn.) woods, hosiery cuttings and waste paper are used. For each of the raw materials, the pulp making process is different as detailed blow, subsequently, the combined pulp in proportion is input to the paper making stage.

The process adopted here is like semi - mechanical process. The raw material used is hardwood. The hard wood is chipped in chippers to uniform size of 45 mm. This chips are screened and oversized chips are rejected and sent back to rechippers, while the accepted chips are sent to conveyor. These chips are washed with water to remove foreign particles.

The chips are conveyed to the digester by way of conveyors for cooking, chemicals like sodium sulphate, sodium hydroxide and sodium bicarbonate are used and cooked with steam at 80 to 100 PSI for 3/12 hours. This cooking soften the chips for subsequent process and given strength to the pulp.

The cooked chips from the degester are fed into raffinato through conveyor after washing them in chips washers to remove the residual chemicals etc. These

raffinators are high powered ones having 2 discs titled with 8 segments. The chips while passing through the dis are defibrated due to sharing and rubbing action of the segments and individual fibers are formed.

This pulp is washed and sent to screw press to squeeze it to get high consistency level and then through heater mixture where steam and hydrogen prooxide are added. This pulp is stored in chest with a retention time of 2 hours. This pulp is sent through Delta screen to remove the unwanted fibre bundles and other rejects. The accepted fibres are collected in chest and washed and thickened in washing drums. These pulps at a standard consistency is sent to stock preparation chest where it is added to long fibre pulb like banian cuttings pulb and filler materials like Soap stone power, rosin, starch, alum and other chemicals.\footnote{Sun Paper Mill Silver Jubilee Magazine, 1997, pp. 2-3.}

The waste paper is put into high consistency pulper with required quantity of water. The pulp is stocked in the chest to be added to the main pulp at required percentage.

The pulps are stocked in preparation chest in the required ratio. The mixed pulp enters suction of the fan pump at a particular consistency level. This pulp is sent through centric cleaner for cleaning of sand and the impurities. In the wire post of the paper machine the paper web is formed by proper drainage of water through foil boxer, suction couch etc. The paper web at certain moisture level is
passed from wire part to the press which consists of granite rolls of press, where water is squeezed out.

The paper web is sent to drying section wherein the paper gets dried while passing through hot cylinders heated by steam. That is mainly to increase the surface moisture to facilitate better calendaring. Finally paper is passed through calendar stages and wiped at the pope winder. This paper is cut to required size in the reminder.

In present day technology, co-generation systems can be generally classified as “Topping Cycle” or “Bottoming Cycle”.  In a topping cycle, electricity or mechanical power is produced first and then the thermal energy in the exhaust from prime mover is recovered and used as industrial process heat. In a bottoming cycle, thermal energy for process use is produced first and the waste heat is then recovered as an energy source and the waste heat is then utilized for generation of electrical mechanical power. The “Topping cycle” system is advocated in the co-generation project of the Sun Paper since in the paper making process, that heat energy is required as a direct / indirect heating medium, at relatively low temperature in the form of saturated steam.

The steam turbine configuration of the Topping cycle consists of a boiler and a steam turbine. Steam from boiler is used to drive a steam turbine coupled to an electrical energy. The steam required for process is supplied from two

27. Ibid.,
extraction points of the turbine. It is to be noted that this configuration there is no primary restriction on the type of fuel used. Any fuel, so long as it can be properly fired in a boiler could be the primary energy sources.

For the existing paper plant, a combination of odai wood, hosiery cuttings and waste paper are being used as raw materials. There materials are available locally and the company has not faced any problem in procuring the required quantity of raw materials at the right time. The company also foresees no problem in getting these materials in future also. Depending on the price, the company will be using imported pulp at a certain percentage for improving quality. The indigenous raw materials are priories from the nearby districts. The company has enlisted about 45 suppliers of odai wood who are supplying regularly for the past several years.

For the proposed co-generation plant main raw materials envisaged are biomass like saw dust, rice husk, while lignite will be used if sufficient quantity of biomass is not available. The price of all these basic fuels is more or less the same. The company has got various suppliers in the nearby areas for supplying biomass fuels and they have assured continuous supply of fuels of required quantity. However the company has already discussed with NCL for using biomass fuels for its existing boiler, and it foresees no problem in getting these fuels at required quantity.

The quantity of raw material required at 100 percent capacity as per the ITCOT report is 48,500 tons of Lignite and 33,300 tons of biomass fuels per annum’s assuming that 60 percent of fuel used is lignite and 40 percent that of biomass. The company presently uses 23,300 tons of biomass fuel for firing its existing boilers. The company does not foresee any problem in the supply of raw materials for its future requirements. The technology of the co-gen. plant provides for usage of multiple fuels and as such provides sufficient flexibility for the company in tying up its raw materials.

The present requirement of power is 6.5 mw. The company has already got a (Hit Tension) sanction for its paper unit and the average demand is 4.5 Mw only. The company has got 3 x 1000 gen sets as backup.

With the installation of this power the entire power requirement will be meeting full captivity. The company proposes to reduce its connected load to 5MW from the present 7MW so that even in case of maintenance shutdown of co-generation plant the operation of existing paper will not be affected.

The company has already got a water agreement signed with the Public Works Department for drawing of water for its existing paper plant. A separate

31. Ibid.
request letter for additional water requirement for his project has already been submitted to the authorities concerned and is in the final stage of sanction.

The company is proposing to install primary clarifier at the water. The company will also be installing DM plant as part of the co-generation project. Apart from these, no other purification equipment is required.

Steam is required in cooking as well as drying processes for production. The present steam requirement is met from the existing low pressure levels. With the commissioning of the congregation plant, the existing steam requirement will be met in full while there is a provision for meeting increased requirements also in future. The existing boiler will be kept as standby.

For the existing paper plant the company is fully equipped with pollution control and treatment mechanism consisting of Reactivated clarifier, Dynasand Filter for water recycling, aerated lagoons and secondary clarifier systems. The company has got pollution control Board clearance for both water and air up to 31st March 1998.  

For the proposed new plant the company has already submitted an application to Pollution Control Board along with the report of an environmental consultant. The sanction for the same is awaited. Suitable pollution treatment devices such as dust removal systems, a comprehensive electrostatics precipitator, 

---

etc., will be installed. As for water plant, the acidic effluent from the DM plant will constitute a very small quantity and it will be discharged into the existing paper plant effluent treatment facilities for safe disposal.

The company at present has a strength of 784 on its payroll consisting of managerial staff, skilled, semi-skilled and unskilled labourers. The total manpower requirement for the proposed co-generation project including its auxiliaries is estimated at about 21. Necessary action has already been initiated for recruiting personnel for the new project. The company foresees no problem in meeting the manpower requirements.

**Shares:**

**General Risk**

The company’s shares are presently listed on the Madras Stock Exchange to list the present issue of shares, for permission to deal in and for an official quotation of the equity shares of the company.

Attention of the applicants is specifically drawn to sub-section (1) of section 68-A of the Act which is reproduced below:

a) Any person who makes in a fictitious name an application to accompany for acquiring or subscribing for any shares therein or
b) Otherwise induces a company to all or register any transfer of shares or any other person in fictitious name shall be punishable with imprisonment for a term which may extend to some years.

**Proceeds of the issues:**

1. All money received out of shares or debentures to public shall be transferred to a separate Bank account other than the Bank account referred to in sub – section (3) of section 73 of the companies act 1956.\(^{33}\)

2. Details of all money utilized out of issues related to in sub item (1) above shall be disclosed under an appropriate separate head in the balance sheet of the company indicating the purpose for which such moneys had been utilized.

3. Details of all unutilized and or debentures, be disclosed under an appropriate separate head in the balance sheet of the company indicating the term in which such unutilized moneys have invested.

If the company does not receive the minimum subscription of 90 percent of the issued amount from public subscription up to the date of closure of the issues, the company shall forthwith refund the entire subscription amount received. For the delay beyond 78 days if any, in refund of such subscription, the company shall

\(^{33}\) *Ibid.*, Section 73.
pay interest as paper section 73 of the companies Act, 1956.\textsuperscript{34} The company further agrees that:

\begin{itemize}
\item[a)] As for as possible allotment of securities offered to the public shall be made within 30 days of closure of the public issue.
\item[b)] It shall pay interest at 15 percent amount (except to applicant applying through stock inverts) for the period beyond 30 days if the allotment has not been made and refund orders have not been made and refund orders have not been dispatched to the investors within 30 days from the date of closure of the issue.
\end{itemize}

\textbf{The details of the capital structure are}

The first official quotation of the company was available in the Madras Stock Exchange on 25 February 1963.

The present shareholding pattern is as follows: promote group: 74.51 percent State Financial Institution 7.07 percent and the general public 18.42 percent. The total number of shareholders is 249.\textsuperscript{35} The present share of the promoter along with his relatives, friends and associates is 74.51 percent. The share of the promoter and promoter group after the issue will be 58.75 percent of the post issue equity capital of the company\textsuperscript{36}. The existing share holders are not entitled to many additional shares upon exercise of warrant, option or right or

\textsuperscript{34} \textit{Ibid.},
\textsuperscript{35} Personal Interview with A.V.Ramasamy, Administrative Manager, Sun Paper Mill, dated 5 April, 2006.
\textsuperscript{36} K. Kulanthaivelan, Sentamil Singam, Madras, 1983, p.58.
convert a debenture, loan or any other instrument save for the detailed mentioned shares to equity shares as detailed below.

Terms of issue of the outstanding preference shares include the company’s right to convert the redeemable preference shares with dividends due there on to equity shares such of those preference shareholders who for the same subject to the consent of existing equity shareholders and the relevant provisions of the companies Act as amended from time to time.

Conversion of preference shares including accrued divided into equity shares (501 shares issued for cash).\(^37\) The preference shares and the accumulated divided thereon were converted into equity upon the permission of the company law board, upon an application made by the company based on the resolutions passed by the equity shareholders and meeting of the company held on 29 March 90\(^38\).

The promoters lock-in 2533800 shares which are 28.58 percent of the expanded capital, being over and above the minimum contribution of 25percent\(^39\). There has been no trading in the company’s script for the last 3 years and as such the pricing of these shares will be linked-in for a period of 3 years either(i) from the date of allotment or (ii) from the last day of the month in which commercial

\(^37\) Personal Interview with A.V.Ramasamy, Administrative Manager, Sun Paper Mill, dated 10 April, 2006
\(^38\) Vide order No.40/18/89 c1, III dated 3 August, 1990
\(^39\) Personal Interview with A.V.Ramasamy, Administrative Manager, Sun Paper Mill, dated 08 May, 2006
production is expected to commence as declared in this prospectus i.e., 30th June 1998, whichever is earlier. The locked-in shares shall not be sold or transferred during the lock-in period except among the promoters of the company\(^{40}\).

The promoters already brought in Rs.299Lakhs out of Rs.475 Lakhs as advance towards share application money as on 15.12.97. The promoters contribution as advance towards share application money and reflected under current, liabilities in the financial statement of the company presented by the auditors, disclosed in part II of the document. The amount under this head as on 31.3.97 and 31.10.97 was Rs.68 lakhs and Rs.299 lakhs respectively\(^{41}\).

The company/promoters, Directors or lead Managers did not enter into any buy-back/standing by or similar arrangement of purchase of securities issued by the company. There was no purchase or sale of securities of the company by the promoters group. Provisions of SEBI (Substantial Acquisition of shares and Take over) Regulations, 1996 are applicable since there has been no transaction all.

The promoters contribution forming part of the present issue(under category ‘D’ above) will be brought in atleast one day before the opening of the subscription list. The minimum contribution in respect of promoters contribution under category D above out of the present issue would category D above would be

\(^{40}\) Personal Interview with Kannan, Personal Department, Sun Paper Mill, dated 05 April, 2006
25,000-in case of individuals and Rs.1,00,000/- in respect of corporate bodies other than business associates like dealers. An applicant in the public category can make an application for a maximum of the total number of shares which is offered to the public. A minimum of 50 percent of the net public offer made available for allotment to individual applicants who have applied for 1,000 shares or less. In case these applicants are eligible for higher allotment as per the proportionate basis of allotment, there will be allotment to the higher number of shares. The balance of the net public offer shall be made available for allotment to other investors, including corporate bodies and individuals who have applied for more than 1,000 shares. The unsubscribed position of the net offer for any one of the categories above shall be made available for allotment in the other category, if so required.

In case of oversubscription, to round off the allotment of shares into marketable lots as per the proportionate basis of allotment, the final allotment may be up to 110 percent of the offering.

Due to the general reversionary trend prevailing in the industries as such, and specially in the case of paper industry, the margins were under pressure. There was mincingly due to the margins were under pressure. However, the prices

---

of imported newsprint have now started moving up and this is an encouraging news for the indigenous manufacturers. Though the downtrend continued during the financial year 97-98 it started moving up from the second half of 97-98. With the increase up in the exchange rates and the upward trend in the international prices, the cost of the imported newsprint has gone up. Hence it was generally expected that the domestic industry would look up from the fourth quarter of financial year 1998.\textsuperscript{45}

There are new products or business segments attempted by the company. The newsprint industry is not a seasonal one like sugar industries. The demand for the product is there throughout the year. The company’s newsprint produced is used by the Daily Thanthi and other group concerns. Of the total sales group company will be about 65 percent and the balance to other outside parties. There is no significance with the company for a long time. The company is operating at close to its full capacity for the past years and right from the inception of the company, the company has not faced any difficulties in marketing its product.\textsuperscript{46}

Though there is a limited number of units producing newsprint all over the country the company has to meet competition especially in the unorganized sector. However, by virtue of using virgin raw materials and improved technology, the

\textsuperscript{46} Personal Interview with A.V. Ramasamy, Administrative Manager, Sun Paper Mill, dated 13.7.2006.
company is able to maintain better quality newsprint and retain its customers. Domestic newsprint capacity is 5 lakh tpa and consumption is 6.5 lakh tpa. Of the 5 lakh tpa. capacity increase in capacity, of Tamilnadu Newsprint Limited (TNPL) in January 1996 was 50,000 tpa with the increase in the total literacy rate and a general awareness among the public. The paper industry grows at a rate of 7 to 10 percent every year. Major Newsprint players are Tamilnadu Newsprint Limited (TNPL) Mysore Paper, Hindustan Newsprint Nepa, Aurangabad paper mills and Rama Newsprint.

In April 1995 import duty and quantitative restrictions (earlier for every 2 tons of domestic newsprint 1 ton of imported newsprint was allowed) were removed totally. Government imposed 10 percent import duty in Octobers 1996 which moderated the prices to some extent.48

The company manufactures newsprint which is used for printing newspaper. The capacity is 22,000 Tons Per Annum (TPA). The present project is for cogeneration of power and steam for captive consumption and sale to State Electricity Board, in the event of surplus power generation.

The existing paper plant has been operating close to its full capacity for the past 5 years. The company is supplying newsprint to its associate concerns viz, the Daily Thanthi group of concerns. Apart from that it supplies to various

---

newspapers in Kerala, Andhra Pradesh, Karnataka and Tamil Nadu. The company has not faced any problem in marking its product since it has got and established name in the market and has active and established client base with whom the company has transacted for decades now. For the proposed co-generation plant there is no need to enter into any selling arrangements since the entire steam and power produced will be consumed locally. However the company has already applied to Tamil Nadu Electricity Board for entering into if any surplus power is exported to. Since the company proposes to use mainly biomass fuels, the company has applied for under non-conventional energy sources scheme.\textsuperscript{49} Under this scheme the rate of power purchase per unit by is higher than that of the conventional energy sources scheme. The company estimates profits in the under non-conventional energy scheme and break-even in the latter case as per the prevailing trends. The company also does not foresee possibility of power export in the first year of operation when at the estimated 75 percent capacity utilization of the co-generation, the entire power produced will be consumed locally.

**Business of Sree Sakthi Paper Mills Limited**

Sree Sakthi was incorporated in the year 1991 and is in the business of manufacturing kraft paper and duplex board\textsuperscript{50}. The application of these is in the box making, paper cones, files, folding boxes etc. Some examples are shoe boxes, \textsuperscript{49} Personal Interview with V. Anbalagan, Executive Director, Sun Paper Mill, Ariyanakipuram, dated 8 October, 2006.
\textsuperscript{50} www.Tirunelveli.in.nic.
garment inserts, match boxes, sweet boxes, garment boxes, notebook covers and bulk material handling like drugs and dyes.

The company has got a capacity of 41600MT currently and started with a capacity of 5000 tons\textsuperscript{51}. The plan is to increase the capacity by another 30000MT at its Edayar unit in Kerala. The point to note here is that most of the other paper manufacturers like BILT, ITC Bhadrachalam, Tamil Nadu News Print and Paper Limited etc have also announced their intention to expand capacity. Also one must take into account that the fortunes of the paper industry are linked to that of the economy in general and the economy is expected to do well in the next 3-4 years at least. Some of the prominent customers include Hindustan Lever Limited, Britannia Industries Limited, Hindustan Newsprint Limited, Tamilnadu Newsprint and Paper Limited, Murudeswar Ceramics Limited, Marico Industries Limited, Mc Dowell, Godrej. The company has seen its revenues grow steadily from Rs.36.64 crores in 2001 to Rs.50.55 crores in the last fiscal year. The profit growth has not been consistent and has fluctuated over the past few years. It was as high as Rs.1.05 crore in 2002 and came down to Rs.53 lakhs in fiscal 2004 and now in the last fiscal year stands at Rs.1.09 crore.\textsuperscript{52} The EPS last year been Rs.3.68 and the P/E based on that is 10.38. However this does not take into account the issue of new shares.

\textsuperscript{51} Ibid.,
\textsuperscript{52} www.Tirunelveli.com
The company is offering its share at a price of Rs.30 per share and the offer opens on 17th January and closes on 21st January.  The issue is not completely convincing. The company which is in an unglamorous industry, has stuck to its core business for very long and grown and done well for more than a decade and the promoters understand the business. So while this may not be the best IPOs to invest in it certainly looks like a decent one.

Subburaj Papers Private Limited

The Management

The strong management forms the backbone of its success. It consists of professionals working dynamically, focusing literally on customer satisfaction. Sincerity, honesty, loyalty and highly innovative knowledge of the people are the key factors that bring success. Ability to understand customer requirements in every aspect and organizing work robustly made the management achieve customer delight. The vast experience and hard work blended with quality of work is its speciality. Constant investment in technology and manpower are the prominent threads weaving the success. The company is on the launch pad of the most modernized mill in South India.

Mr. V. Subburaj - Chairman & Managing Director
Mr. Arun K. Subbiah - Director & CEO

53. Ibid.,
54. www.subburajmills.com
Subburaj Papers (P) Ltd is located near Mukkudal, 20 Kms from Tirunelveli Town. This plant produces environment-friendly printing and writing paper using recycled waste paper as primary source of fiber.

Backed by state-of-the-art facilities, and skilled manpower it manufactures 320 tons a day of highgrade printing and writing paper. The De Inking plant encompasses the latest in deinking technology and includes the energy efficient OptiSlush drum pulper and OptiBright flotation cells.

The Company’s commitment to environment, quality and work has created a niche for it in this field.

It manufactures wood free paper for printing and writing purpose. Our quality paper products give smooth printing and writing properties, amplifying the impact of one’s communication. Its product range includes Surface Sized and Non Surface Sized grades in both Sheets and reels.\footnote{Ibid.}
Shades available are Blue, Natural and any other tint shade preferred by customer.

Slitter Winder Trim: 4350mm (171 inch)

Max Reel Width: 1525mm (60 inch)

Min Reel Width: 254mm (10 inch)

Max Reel Diameter: 1015 (40 inch)

**Varieties of Paper**

<table>
<thead>
<tr>
<th>Variety</th>
<th>GSM</th>
<th>Surface</th>
<th>Treatment Purpose</th>
<th>Brightness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cream Wove</td>
<td>54</td>
<td>Note Book Paper</td>
<td>75 to 80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>58</td>
<td>Printing</td>
<td>75 to 80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>60</td>
<td>Printing</td>
<td>75 to 80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>65</td>
<td>Book Printing</td>
<td>75 to 80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>70</td>
<td>Calender Ptg.</td>
<td>75 to 80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>80</td>
<td>Calender Ptg.</td>
<td>75 to 80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>90</td>
<td>Cover Paper</td>
<td>75 to 80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>120</td>
<td>Cover Paper</td>
<td>75 to 80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>150</td>
<td>Base Paper (for coating)</td>
<td>75 to 80</td>
<td></td>
</tr>
<tr>
<td>Deluxe Cream Wove</td>
<td>54</td>
<td>Note Book Paper</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td></td>
<td>58</td>
<td>Printing</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td></td>
<td>60</td>
<td>Printing</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td>Map Litho</td>
<td>70</td>
<td>Calender Ptg.</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td>Map Litho</td>
<td>80</td>
<td>Calender Ptg.</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>Cover Paper</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td></td>
<td>120</td>
<td>Cover Paper</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td>S.S. Map Litho</td>
<td>60</td>
<td>Surface Sized</td>
<td>Printing</td>
<td>80 to 85</td>
</tr>
<tr>
<td>S.S. Map Litho</td>
<td>70</td>
<td>Surface Sized</td>
<td>Calender Ptg.</td>
<td>80 to 85</td>
</tr>
<tr>
<td>--------------</td>
<td>----</td>
<td>----------------</td>
<td>---------------</td>
<td>----------</td>
</tr>
<tr>
<td>S.S. Map Litho</td>
<td>80</td>
<td>Surface Sized</td>
<td>Calender Ptg.</td>
<td>80 to 85</td>
</tr>
<tr>
<td>100</td>
<td>Surface Sized</td>
<td>Plotter Paper</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td>120</td>
<td>Surface Sized</td>
<td>Cover Paper</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td>150</td>
<td>Surface Sized</td>
<td>Base Paper (for coating)</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td>180</td>
<td>Surface Sized</td>
<td>Cup stock Paper</td>
<td>80 to 85</td>
<td></td>
</tr>
<tr>
<td>Copier</td>
<td>80</td>
<td>Surface Sized</td>
<td>Copier</td>
<td>87/88</td>
</tr>
<tr>
<td>75</td>
<td>Surface Sized</td>
<td>Copier</td>
<td>87/88</td>
<td></td>
</tr>
</tbody>
</table>


Any other basis weight is within the above range as per customers preference.

N.B : Surface sized grades available from December 2008.

The details given in this Chapter about the existing Paper Mills such as Sun Paper Mill and Sree Sakthi Paper Mill in the district give a clue to the fact that the district has got all facilities for the paper mill namely raw materials like bamboo, timber, chemicals, power and water supply The First Mill by name Sun Paper Mill was established in the year 1961 and the Sree Sakthi Paper Mill in the year 1991. Subburaj Papers Private Limited, 1994. These three paper mills of the district are engaged in producing paper in large quantity. Depending on the price of paper, the paper mills import necessary materials like machines and other necessary materials from other countries. Though the owners face various difficulties they continue to increase the production of paper from their paper Mills. It is necessary to note in this contest that the companies intend to buy machinery worth Rs. 19,909 Lakhs. It is known that for the last 50 years i.e. from 1961 onwards the
paper mills have flourished without any break. The main reason is that the present internal demand for paper estimated at 240,000 tons per year and indigenous production is 170,000 tons. Literacy education and general standard of living also increase the demand for paper and Paper Board. In this context the contribution of the paper mills in Tirunelveli is inestimable and praiseworthy.