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A Study on Financial Analysis of Select Paper Mills in India

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ABSTRACT

The Indian paper Industry is the 15th largest in the world and provides employment to 1.3 Million people in the country contributing Rs. 25 Billion to the Government. India's first machine made paper was manufactured in 1812. The Indian Paper Industry accounts for about 2.6 % of the world's production of paper. The estimated turnover of the industry is INR 50,000 crore approximately and its contribution to the exchequer is around INR 4,500 crore. The industry provides employment to more than 0.5 Million people directly and 1.5 Million people in directly. This present paper analyze the financial analysis of select paper mills namely Tamil Nadu Newsprint & Papers Limited (TNPL) and Andhra Pradesh Paper Mills Limited (APPM).

Keywords: Paper, Paper Industry, Financial Analysis, TNPL, APPM.

INTRODUCTION

The paper industry has a vital role to play in socio economic development of a country. The consumption of paper is generally considered as a benchmark of a country's modernization. The industry is ranked as country's 35 high priority economic sectors. The industry was delicensed effective from July 1997 by the Government of India and foreign participation is permissible. The paper industry is the second industry to be liberalized in India after the cement industry. Indian paper industry has created sustainable livelihood in rural areas and has helped generating employment for the local population especially for women to earn their livelihood. Indian paper industry has emerged as a diversified and specialized industry that produces numerous types of papers that come in various forms such as watermark, filter paper, drawing sheets etc. The Indian paper industry accounts for about 1.6 percent of the world production of paper and paper board. There are, at present, about 515 units engaged in the manufacture of paper and paperboards and newsprint in India. The country is almost self-sufficient in manufacture of most varieties of paper and paperboards. Import, however, is confined only to certain specialty papers. To meet part of its raw material needs the industry has to rely on imported wood pulp and waste paper.

TAMIL NADU NEWSPRINT & PAPERS LIMITED (TNPL)

Tamil Nadu Newsprint and Papers Limited were formed by the Government of Tamil Nadu in April 1979 as a public limited company under the provisions of the companies' act 1956. The factory is situated at Kagithapuram in the Karur District of Tamil Nadu. The registered office of the company is located in Guindy, Chennai. The Company commenced production in the year 1984 with an initial capacity of 90,000 tons per annum. Over the years, the production capacity has been increased to 2, 45,000 tons per annum and the Company has emerged as the largest bagasse based Paper Mill in the world consuming about one million tons of bagasse every year. TNPL has obtained the ISO 9001 - 2000 certification from Germany for development, manufacture and supply of Newsprint and Printing & Writing Paper. The company has installed two captive turbo

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generators for generating about 26 MW of power. In addition, the company has also setting up a turbo generator of 10.5 MWs capacity to fed the TNEB's power grid. The Tamil Nadu Newsprint and Papers Ltd (TNPL) in Karur district has enhanced mechanical bagasse pulping (MBP) utilisation to about 30 percent against the envisaged 50 per cent in its DPR in its new paper machines after the World Bank decision to fund the project.

It is one of the most environmentally compliant paper mills in the world. TNPL uses automated process control facilities for various processes till final packing and dispatch. The paper produced by TNPL is eco- friendly as the pulp is manufactured out of renewable raw material and is subjected to Elemental Chlorine Free bleaching. Tamil Nadu Newsprint and Paper Limited are engaged in the Production of newsprint, printing and writing papers using bagasse as the primary raw material.

ANDHRA PRADESH PAPER MILLS LIMITED (APPM)

The Andhra Pradesh Paper Mills Limited is an integrated pulp and paper manufacturer in India. The company was incorporated on 29th June 1964. The company manufactures and deals in all kinds of paper. This is the one of the largest paper mills in the country The company produces writing, printing and copier papers for foreign and domestic markets. The production facilities at Rajahmundry and Kadiyam have a total production capacity of 240,000 TPA. The company employs around 2,500 employees and is headquartered in Hyderabad. In 2011, The Andhra Pradesh Paper Mills Ltd. was acquired by International Paper (IP), a $30 billion American pulp and paper company founded in 1898. In the first significant domestic acquisition by a foreign paper company, IP bought 75% stake in the company. IP is the largest pulp and Paper Company in the world, with approximately 61,500 employees across 24 countries. It is headquartered in Memphis, Tennessee, USA. In December, 2013, the company was renamed to "International Paper APPM Limited". The name change intended to recognize the parentage of International Paper, while maintaining the link to the history and positioning of the Andhra Paper Mills brand. This is also to ensure that we direct future investments in brand-building around the international paper brand leveraging our global presence and technology.

The Company has been conferred with an 'Excellence Award' for excellence in the field of industrial development by Institute of Economic Studies. Indian Institute of Forest Management (IIFM), and International Paper, India signed a Memorandum of understanding to further their mutual interest in the field of forest sustainability. International Paper launched a mobile app for customers and distributors. It provides access to the most up-to-date information on all products of IP covering Writing, Printing and Imaging Papers, with real time updates on new products and specification changes each time the app is accessed. International Paper APPM launches pioneering initiative to connect Farmers under Farm Forestry program with Digital revolution.

NEED AND IMPORTANCE OF THE STUDY

The present study focuses on the past and present financial analysis of selected paper mills in India and compare with similar sized companies within its industry, providing insight into a company's historical growth, profitability, debt capacity and overall liquidity. All such factors can be important indicators of a company's ultimate value to identify financial strength, weaknesses and evaluate financial performance in relation to the industry performances as a whole and acquire useful information for industry. The Indian paper industry is growing at a rapid pace and getting international recognition. It is also taking adequate measures for the development and attracting new investments both domestic and foreign. Beside this sector has significant importance of employment generation, industrial, social and economical in nature. Liquidity and profitability are

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two important aspects of corporate business life. Liquidity measures the ability of a company to honour the entire maturing obligation. Profitability measures the operational efficiency of the companies.

OBJECTIVES OF THE STUDY

- To study the Profitability Position of Select Paper Mills in India.
- To study the Liquidity Position ofSelect Paper Mills in India.
- To study the Short-term & Long-term Solvency Position of Select Paper Mills in India.

RESEARCH METHODOLOGY

The study is based on the secondary sources of data collected from the published annual reports of the paper mills for the last 5 years i.e. 2013 to 2017. In order to analyze the financial performance of Current Ratio, Quick Ratio, Debt-equity Ratio, Proprietary Ratio, Fixed Assets to Net worth Ratio, Gross Profit Ratio, Net Profit Ratio, Operating Ratio, Return on Net worth and Return on Total Assets are calculated. For the purpose of analyzing performance of different mills various statistical techniques such as mean, standard deviation, co-efficient of variation, skewness and kurtosis have been used for analyzing and interpreting the data.

ANALIYSIS OF DATA

PROFITABILITY RATIO

TABLE NO 1
Gross Profit Ratio

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	17.67	18.19	17.24	13.74	12.2
AAPM	8.07	4.95	1.72	-2.4	2.25

STATISTICS SUMMARY OF GROSS PROFIT RATIO

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR
TNPL	15.81	2.67	5.92	18.19	12.20	-0.72	-2.18	44.84	7.69
AAPM	2.92	3.90	0.75	8.07	-2.40	-0.05	0.23	258.67	29.10

Table 1.1 shows that Gross profit Ration of Select Paper mills. It is a popular tool to evaluate the operational efficiency of the business. Gross profit ratio may be indicated to what extent the selling prices of the goods per unit may be reduced without incurring losses on operational. The maximum Mean value of Gross Profit Ratio is 15.81 in TNPL. The Maximum SD is 3.90 in AAPM. The CV of Gross Profit Ratio shows that 5.92 % in TNPL which indicate the highest variability. The Skewness and Kurtosis are negative in the study unit. The Annual Growth Rate is maximum of 258.67% in APPM. The Compound Annual Growth Rate is maximum of 29.10 in APPM.

TABLE NO 2
Net Profit Ratio

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	8.96	10.5	7.8	7.05	4.91
AAPM	2.59	3.18	0.02	-3.81	-1.92

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STATISTICS SUMMARY OF NET PROFIT RATIO

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR
TNPL	7.84	2.09	3.75	10.50	4.91	-0.26	0.18	82.48	12.78
AAPM	0.01	2.96	0.00	3.18	-3.81	-0.23	-1.93	-234.90	-206.17

Table 1.2 shows that Net Profit Ratio of select paper mills. The Net Profit Ratio shows that Net Contribution made by sales of rupee 1 to the owner fund. The higher Net Profit Ratio indicates better overall profitability and managerial efficiency. The maximum Mean value of Net Profit Ratio is 7.89% in TNPL. The maximum SD is 2.96% in APPM. The CV of Net Profit Ratio shows that 10.50 % in TNPL. The Skewness and Kurtosis of study unit are negative. The Annual Growth Rate and Compounded Annual Growth Rate of Net Profit Ratio are maximum of 82.48% and 12.78%.

TABLE NO 3
OPERATING PROFIT RATIO

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	24.71	23.95	23.67	22.16	21.6
AAPM	13.71	11.26	7.8	5.56	9.39

STATISTICS SUMMARY OF OPERATING PROFIT RATIO

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR
TNPL	23.22	1.29	17.94	24.71	21.60	-0.31	-2.04	14.40	2.73
AAPM	9.54	3.13	3.05	13.71	5.56	0.12	-0.58	46.01	7.86

Table 1.3 shows that Operating Ratio of select paper mills. Generally an Operating Profit ratio ranging of 20% to 25% is acceptable standard in manufacturing firms. Here the Operating Profit Ratio of the TNPL is above the Standards which indicate good profitability and efficient managerial ability. The maximum Mean value of Profit Ratio is 23.22% in TNPL. The maximum SD is 3.13%in APPM. CV of Operating Profit Ratio shows that 24.71 % in TNPL which indicate the highest variability. Skewness and Kurtosis are negative in the study unit. The Annual Growth Rate is maximum of 14.40 % in TNPL. The Compound Annual Growth Rate is maximum of 7.86 in APPM.

TABLE NO 4
RETURN ON TOTAL ASSET

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	4.69	4.62	3.54	4.34	2.62
AAPM	2.6	2.91	0.01	-3.15	-1.96

STATISTICS SUMMARY OF RETURN ON TOTAL ASSET

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR

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TNPL	3.96	0.88	4.51	4.69	2.62	-1.09	-0.09	79.01	12.35
AAPM	0.08	2.69	0.03	2.91	-3.15	-0.08	-2.50	-232.65	-205.81

Table 1.4 shows that Return on Total Asset of select mills. The Return on Asset of a company determines its ability to utilize the assets employed in the enterprises efficiency and effectively to earn more return. This ratio measures the percentage of profit earned per rupee of assets. The maximum Mean value of Return on Total Asset is 3.96% in TNPL. The maximum SD is 2.69% in APPM. The CV of Return on Total Asset shows that 4.51 % in TNPL which indicate highest variability . The Skewness and Kurtosis of study unit are negative. The Annual Growth Rate and Compounded Annual Growth Rate of Return on Total Asset are maximum of 79.01% and 12.35% in TNPL.

TABLE NO 5
RETURN ON NETWORTH

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	15.52	17.56	13.87	14.06	8.83
AAPM	6.49	8.18	0.05	-10.02	-5.18

STATISTICS SUMMARY OF RETURN ON NETWORTH

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR
TNPL	13.97	3.23	4.32	17.56	8.83	-1.06	1.98	75.76	11.94
AAPM	-0.10	7.68	-0.01	8.18	-10.02	-0.24	-1.93	-225.29	-204.61

Table 1.5 shows that Return on Net worth of select paper mills. This ratio measures the ability of the management of enterprise to generate adequate return for the capital invested by the owners of the company. The maximum Mean value of Return on Net worth is 13.97% in TNPL. The maximum SD is 7.68% in APPM. The CV of Return on Net worth shows that 4.32 % in TNPL which indicate highest variability. The Skewness and Kurtosis of study unit are negative except 1.98 in TNPL . The Annual Growth Rate and Compounded Annual Growth Rate ofReturn on Net worth are maximum of 75.76% and 11.94% in TNPL .

LIQUIDITY RATIO

TABLE NO 6
CURRENT RATIO

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	0.69	0.7	0.74	0.6	0.59
AAPM	0.67	0.88	0.64	0.87	0.86

STATISTICS SUMMARY OF CURRENT RATIO

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR
TNPL	0.66	0.07	10.09	0.74	0.59	-0.24	-2.52	16.95	3.18

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AAPM	0.78	0.12	6.62	0.88	0.64	-0.63	-3.10	-22.09	-4.87

Table 2.1 shows that Current Ratio of select paper mills. It is used for measuring short-term liquidity or solvency. Whether the current assets of the firms are sufficient to meet its current liabilities that are assessed through the Current Ratio. The Ideal Standard is 2:1. The low Current Ratio indicates bad liquidity. The maximum Mean value and SD of Current Ratio are 10.78 % and 0.12% in APPM. The CV of Current Ratio shows that 10.09 % in TNPL which indicate highest variability. The Skewness and Kurtosis of study unit are negative. The Annual Growth Rate and Compounded Annual Growth Rate ofCurrent Ratio are maximum of 16.95% and 3.18% in TNPL.

TABLE NO 7
QUICK RATIO

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	0.4	0.46	0.48	0.41	0.4
AAPM	0.25	0.33	0.23	0.36	0.38

STATISTICS SUMMARY OF QUICK RATIO

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR
TNPL	0.43	0.04	11.49	0.48	0.40	0.72	-2.36	0.00	0.00
AAPM	0.31	0.07	4.65	0.38	0.23	-0.35	-2.68	-34.21	-8.03

Table 2.2 shows that Quick Ratio of select paper mills. It is used to verify the short-term liquidity of the firm. The Idle Standard is 1:1. The high quick ratio is an indication that the firm is liquid and has the ability to meet its current liabilities in time, and on the other hand , a low quick ratio represents that the firm's liquidity position is not good. The maximum Mean value of Quick Ratio is 0.43% in TNPL. The maximum SD of Quick Ratio is 0.07% in APPM. . The maximum CV of Quick Ratio shows that 11.49% in TNPL which indicate highest variability. The Skewness and Kurtosis of study unit are negative except 0.72 in TNPL. The Annual Growth Rate and Compounded Annual Growth Rate ofstudy unit are negative.

TABLE NO 8
DEBT EQUITY RATIO

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	1.4	1.7	1.53	0.95	1.11
AAPM	0.49	0.99	0.79	1.2	0.82

STATISTICS SUMMARY OF DEBT EQUITY RATIO

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR
TNPL	1.34	0.31	4.37	1.70	0.95	-0.23	-1.73	26.13	4.75
AAPM	0.86	0.26	3.27	1.20	0.49	-0.18	0.50	-40.24	-9.79

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Table 2.3 shows that Debt Equity Ratio of select paper mills. It is the key financial ratio and as a standard for judging a company's financial standing. It is also measure of a company's ability to repay its obligations. Optimal Debt Equity Ratio is considered 1:1. The maximum Mean, SD and CV of Debt Equity Ratio are 1.34, 0.31 and 4.37 in TNPL. The Skewness and Kurtosis of study unit are negative except 0.50 in APPM. The Annual Growth Rate and Compounded Annual Growth Rate ofstudy unit are 26.13 and 4.75 in TNPL.

TABLE NO 9
PROPRIETARY RATIO

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	30.27	26.34	25.58	30.87	29.75
AAPM	40.13	35.57	33.23	31.5	37.83

STATISTICS SUMMARY OF PROPRIETARY RATIO

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR
TNPL	28.56	2.42	11.79	30.87	25.58	-0.54	-2.84	1.75	0.35
AAPM	35.65	3.46	10.30	40.13	31.50	0.14	-1.41	6.08	1.19

Table 2.4 shows that Proprietary Ratio of select paper mills. It is the key financial ratio analyze the long-term solvency and financial stability of the firm. The proportion of total assets of a firm collected through proprietors fund can be understood from this ratio. The ideal norm is 33% of total assets collected through proprietary capital. The maximum Mean and SD of Proprietary Ratios are 35.65% and 3.46% in APPM. The maximum CV of Proprietary Ratio is 11.79% in TNPL which indicate highest variability. The Skewness and Kurtosis of study unit are negative except 0.14 in APPM. The Annual Growth Rate and Compounded Annual Growth Rate ofProprietary Ratios are 6.08 and 1.19 in APPM.

TABLE NO 10
FIXED ASSET TO NETWROTH

Paper Mills	2017 -16	2016 -15	2015 -14	2014 -13	2013 -12
TNPL	244.39	292.07	253.06	220.62	245.39
AAPM	164	185.75	205.03	213.49	184.59

STATISTICS SUMMARY OF FIXED ASSET TO NETWROTH

Paper Mills	Mean %	SD %	CV %	Max %	Min %	Skew	Kurt	AGR %	CAGR
TNPL	251.11	25.93	9.68	292.07	220.62	0.95	2.19	-0.41	-0.08
AAPM	190.57	19.36	9.84	213.49	164.00	-0.23	-0.71	-11.15	-2.34

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Table 2.5 shows that Fixed Asset to Netwrothof select paper mills. It is also measuring of a solvency of a company. This ratio indicates the extent to which the owner's cash in frozen in the in the form of fixed assets. Fixed assets to Networth ratio 75 percent or higher is usually undesirable, as it indicates the firm is vulnerable to unexpected events and changes in the business climate. The maximum Mean and SD of Fixed Asset to Net worth are 251.11% and 25.93% in TNPL. The maximum CV of Fixed Asset to Netwrothis 9.84% in APPM which indicate highest variability. The Skewness and Kurtosis of study unit are negative except 0.95 and 2.19 in TNPL. The Annual Growth Rate and Compounded Annual Growth Rate ofFixed Asset to Netwrothare negative value.

FINDINGS

From the study of financial analysis of select paper mills in India the following findings are found. The Profitability Position of select paper mills under the study is satisfactory in TNPL which was maintained optimum level for Profitability Ratios when compared to APPM. The liquidity position of select paper mills under the study is not satisfactory which was not maintained ideal standard for current ratio and quick ratios. The Short-term and Long-term Position of select paper mills under the study unit is not satisfactory in TNPL and APPM.

SUGGESTIONS

Suggestions are made from the above findings. The profitability of the select paper mills are more or less depends upon the better utilization of resources. It is worthwhile to increase production capacity and use advance technology to cut down cost of production and in order to increase the profitability in terms of investment and turnover. These paper mills must maintain a higher balance of liquid assets to meet its day to day operations and improve its solvency position.

CONCLUSION

The study has analyzed the Profitability and Liquidity position of select paper mills in India. From the above study it is concluded that the profitability and liquidity is affected during the study period in terms of key financial indicators of the performance. These select paper mills to take proper steps to be taken to overcome its adverse position and make better profit with its sound financial resources. The select paper mills is balanced not only to take new challenge but to sustain the growth momentum of the past decade.

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