

## **CHAPTER THREE**

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### **PROFILE OF THE MYSORE PAPER MILLS LIMITED**

### 3.1 HISTORICAL BACKGROUND

Bhadravati town's presence has long been recognized on the industrial map of India. It is an industrial town situated on the banks of the river Bhadra. Initially, the typical climate of the region, the hardworking character of the local people and the availability of natural resources in the nearby areas attracted pioneer industries in iron and steel, cement and sugar to the area. The singularly deciding factor in attracting the paper industry to the area, however, was the abundant availability of the necessary raw materials from the thick forests on the river Bhadra's banks. Within a period of one generation only, the establishment of these basic industries have greatly changed the socio-economic face of Shimoga District of Karnataka State. Besides the development of a substantial industrial infrastructure, the direct benefits include employment generation and a noticeable rise in people's income level and their standard of living. Side by side, there has also been a considerable growth of social assets like educational institutions, housing projects and healthcare facilities.

Back in early 1930's, Shri.Chamaraja Wodeyar Maharaja, the Ruler of the erstwhile Princely State of Mysore in the British India, along with Sir Mirza Ismail, had realized that in the developing economy of India, paper making would emerge as an important industry, as more and more paper would

be consumed for writing, printing, wrapping and several other uses. The raw material needed for making the paper were abundantly available right within the State's boundaries, in the forests on the banks of the river Bhadra. The Princely State of Mysore, therefore, incorporated a joint sector Company named "The Mysore Paper Mills Limited" on 20th May 1936 on an initial capital of Rs.25.0 lakhs. The foundation stone of the Company's factory was laid on 1st April, 1937, at the hands of Krishnaraja Wodeyar Bahadur, at a then remote village of Bhadravati. The Company proposed to manufacture 4,000 tonnes of printing and writing paper per annum. In due course, the Company marketed its paper under the brandname 'BISON', which was readily accepted.

The Princely State merged into the Indian Union in 1949 and the ownership of the Mysore Paper Mills Limited was transferred to the State Government. Today, the Government of Karnataka State holds 74.88% shares in the Company's paid-up capital of Rs.9.34 crore.

For nearly 16 years, the Company just concentrated on making quality paper and kept its production within the installed capacity of 4000 tonnes per annum (TPA). In 1952, it doubled the capacity to 8000 TPA to meet the increased demand. The Company had painstakingly acquired a reputation for producing quality paper and in 1964, it again more than doubled its capacity to 18,000 TPA. Even with this rise in the output, it could not meet all the demand for its paper and

again raised the capacity to 24,000 TPA in 1972. By then, however, the installed capacity in the paper industry had increased considerably. The industry also was facing problems like acute raw material and power shortages, escalating production costs, outdated technology, etc. Under their pressure, the industry, as a whole, was showing signs of falling sick. The Company, therefore, temporarily halted further capacity expansion to stay viable in a fiercely competitive market. The Company's reputation for quality has also played a significant role in maintaining its health.

### 3.2 AIMS AND OBJECTIVES

The main aims and objectives of the Company as listed in its Memorandum and Articles of Association are:

- (1) To carry on business of paper manufacture, newsprint, writing or printing, wrapping things, decorating walls, etc., and to sell the articles so manufactured;
- (2) To carry on the trade or business of paper masters, paper makers, paper converters in all their respective branches;
- (3) To undertake all activities for the all round welfare of the people residing in the area of operation;
- (4) To undertake such other activities as are indicated, incidental and conducive to the above objectives.

### 3.3 MEMBERSHIP:

Although the Government of Karnataka holds 74.88% shares of the Company, the remaining 25.12% shares are distributed among 312 holders, many of whom are the employees of the Company.

Their representatives sit on the Company's Board of Directors and vote on policy decisions.

#### **3.4 MANAGEMENT:**

Besides the elected representatives of the shareholders, a provision has been made in the Company's bye-laws to nominate the representatives of various financial institutions to the Company's Board of Directors. These are:

1. A nominee of the Karnataka State Government;
2. A nominee of the Industrial Development Bank of India;
3. A nominee of the General Insurance Corporation of India;
4. A nominee of the Industrial Finance Corporation of India;
5. A nominee of the State Bank of India.

These nominations are made with a view to safeguard the interests of the respective institutions and also to avail of the nominee's expert knowledge in the Company's interests.

Recently, the Government of Karnataka has enacted a modification to this bye-law, providing for the accommodation of the representatives of the backward classes and small landholders on the Company's Board of Directors.

The period of office of the Board of Directors is five years and the Chairman and the Vice-Chairman of the Company are elected from amongst the elected members by rotation every year. The Managing Director of the Company is an ex-officio member of the Board of Directors and is appointed with the prior permission of the Government of Karnataka.

### 3.5 PROPOSED CAPACITY EXPANSION:

The Company has plans to undertake a large capacity expansion-cum-modernization project that would increase its present capacity from 24,000 tonnes to 37,000 tonnes per annum solely for producing writing, printing and cultural varieties of paper. The Government of India has also encouraged the Company to implement a project producing 75,000 TPA of newsprint, to reduce the country's substantial dependence on imports and to meet the growing need of the newspaper industry.

#### Technical Knowhow

The technical knowhow for the capacity expansion, modernization and newsprint projects would be provided by several world-renowned Companies, like Jakko Poyry, Beloit Walmsley, Simon Curves, Davy Ashmore, BHEL, NIDC, EIL, etc.

#### Machinery:

Imported machinery would account for 20% of the project cost. The major equipment, namely, newsprint paper machine and cold soda refiner, mechanical pulping system, etc., would be procured from Beloit Walmsley and Bauer Brothers of USA. For the first time in India, the highly sophisticated CSRMP process yielding over 80% pulp as against the conventional pulping method yielding only 40% pulp would be used.

#### Raw Materials:

The Company has been allotted a substantial land areas at a concessional price by the Government of Karnataka for bamboo and eucalyptus plantations. The Company plans to raise captive

plantations on 75,000 acres of forest land allotted by the Government. A preliminary project report has been prepared and referred to the Government of India for considering assistance from world financial agencies. The work will be taken up immediately after the source of finance is tied up for this purpose. Once the captive plantation with fast-growing and high-yielding species are raised, the following would be the advantages to the Company:

- (1) Assured continuous supply of raw materials;
- (2) Availability of raw materials within a reasonable distance from Bhadravati.

#### 2.6 PROPOSED SUGAR FACTORY FOR SECURING BAGASSE:

The Company has planned to set up a sugar factory in order to exploit the bagasse yielding potential of the sugarcane available in the area around Bhadravati. The Government of India has already granted a letter-of-intent to the Company for setting up a factory of 2,500 tonnes sugarcane crushing per day. The proposed sugar factory's requirements of water, steam, power, chemicals and workshops would be met from those already available with the Company. Hence, the capital investment in the sugar factory will be substantially lower when compared to that of a new sugar factory. Advantages accruing to the Company for setting up a sugar factory will be:

- (1) Bagasse, which is normally burnt in the sugar factories, will be used as a raw material for the paper;
- (2) Availability of such raw material at site will reduce the requirement of forest-based raw materials.

## 2.7 FORESTRY PROGRAMMES:

With an eye on the ecology and the renewal of forest resources, the Company has taken up plantation work on 75,000 acres of captive land allotted to it by the State Government. The first phase of the forestry project had begun in 1982 on 14,000 hectares with financial and technical assistance from the Overseas Development Administration, London, U.K. The yield expected from this plantation is 50,000 tonnes/annum. This phase of forestry was completed with a capital outlay of Rs.19.0 crores.

The second phase of forestation project covering an area of 15,500 hectares is also started. The implementation of the programme is planned during the period 1990-95, in which the maintenance of the Phase-I forestation is also included. This phase concentrates on the cultivation of pines, eucalyptus and accacia, which are long fibred varieties.

The forest-based raw materials for paper-making themselves are scarce; so much so that the Company has completed its search for non-conventional raw materials from which pulp can be obtained. The bagasse pulping feasibility study is an effort in this direction. The Company's sugar-paper complex thus would be the first of its kind in the country.

Additional benefits that would accrue from the Company's forestry program would include:



- (1) Employment potential - It is estimated that 1000-1200 new jobs for 300 days in a year would be created;
- (2) Forest grown over a large tract of barren or badly degraded land would improve the ecology;
- (3) Seedlings and saplings distributed free-of-cost to the neighbouring farmers would reduce their dependence on the adjacent forest being grown by the Company;
- (4) The leaves of Kubabhul, one of the species to be planted, would provide fodder, and other species would provide green manure in large quantities every year.

#### 2.8 QUALITY CONTROL:

Special quality control cell has been set up at the Company's mill to keep a stringent check at every stage of the manufacturing process, so that the end products that go out of the factory leave no room for complaint. This quality control cell is aided by a well-equipped laboratory, along with a research and development department.

#### 2.9 ENERGY PLANNING:

The Company pays special attention to the energy conservation aspect in its paper mill. The areas of attention in this respect include conservation of water, steam and power. The newsprint pulp and paper making machines are so designed to conserve the valuable energy.

#### 2.10 POLLUTION CONTROL:

In a bid to control water pollution, the Company has installed an effluent treatment plant at a cost of Rs.2.0 crore. The

system adopted is an exhaustive one, comprising sedimentation, aeration and secondary clarification of effluents. After this treatment, the effluent discharged into the river conforms to the standards laid down by the Pollution Control Board. Highly efficient electrostatic precipitators have been provided to prevent air pollution by minimizing outflow of dust and valuable chemicals from the recovery boiler systems into the atmosphere.

### 2.11 PRODUCTION - PAPER AND NEWSPRINT:

The total production of cultural paper and newsprint was 1,16,166 tonnes during the year 1993-94, as against 93,756 tonnes during the previous year. The newsprint production at 88,538 tonnes achieved in 1993-94 was the highest achieved in any year so far. The capacity utilization was of 118% in the case of newsprint and 79% in the case of cultural paper.

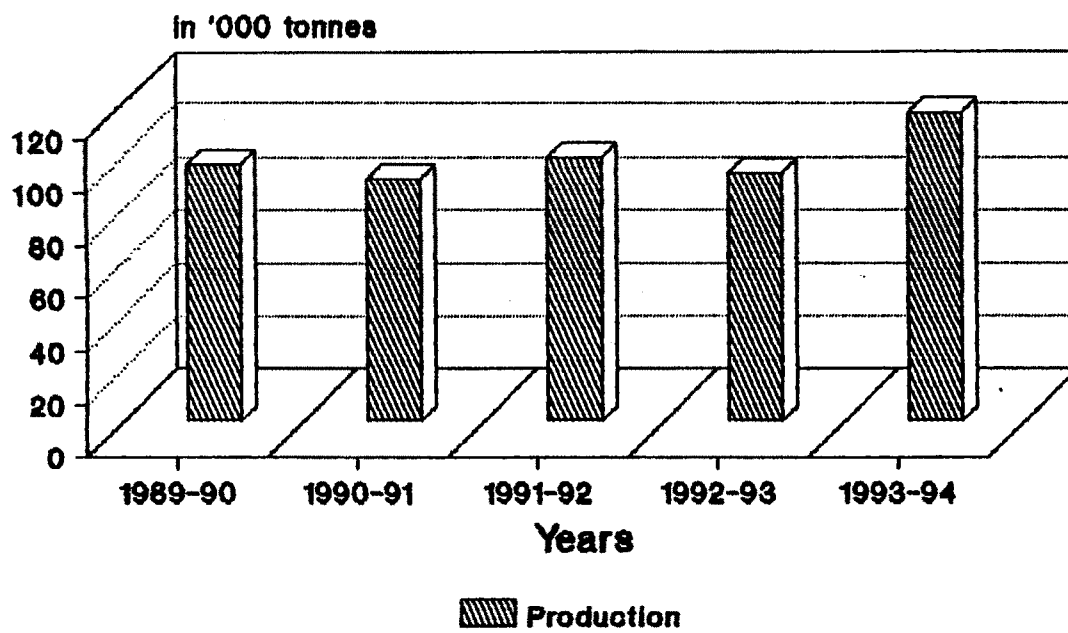
### 2.12 INSTALLATION OF PAPER MILL:

The Company has four paper-making machines. Each machine is used for producing a particular type of paper. Accordingly, the raw materials used for the production of paper also differ from machine to machine. The pulping process involved is a chemical process, except in case of newsprint where mechanical pulping process is used. Kraft paper and newsprint are produced on the basis of a continuous process. Coloured papers and cultural varieties are produced in batches. Table 3.1 indicating the machines and their production specification is given <sup>on</sup> ~~one~~ page after.

Table 3.1  
Production specifications of paper-making machines of the Mysore Paper Mills Limited

Sr. No.	Machine	Year	Production capacity	Type of paper produced (tonnes/day)	Raw materials used	Pulping Process	Method of Production
1.	Paper Machine No.1	1937	15	Packing Paper, Kraft and Unbleached Paper	Bagasse	Chemical	Continuous Process
2.	Paper Machine No.2	1952	20	Creamwove, Azurelaid, Color printing, Cultural Varieties	Bamboo, Accacia, Hardwood	Chemical	Batch Process
3.	Paper Machine No.3	1965	50	Creamwove, Azurelaid, Color printing, Ordered Varieties	Bamboo, Accacia, Hardwood	Chemical	Batch Process
4.	Paper Machine No.4	1981	250	Newsprint	Accacia, Eucalyptus	Mechanical	Continuous Process

### Graph 3.1 Paper & Newsprint Production



A brief history of each of these machines is given below:

1. Paper Machine No.1: The first paper machine was set up in the year 1936 with an integrated pulp and paper production facility and a capacity to produce 4,000 m.tonnes paper per annum. The main plant and equipment was supplied by Messrs.J.M.Voith GmbH of West Germany. The machine has remained operational till date.
2. Paper Machine No.2: The second paper <sup>machine</sup> was installed in the year 1952 to increase the plant capacity to 8,000 m.tonnes per annum, and was again supplied by Messrs.J.M.Voith GmbH of West Germany. During the year 1956-57, attempts were made to increase bamboo pulping capacity by additional 1,000 tonnes per annum and also to renovate Paper Machine No.1. During the same year, the expansion scheme to increase the production capacity to 18,000 m.tonnes per annum was formulated.
3. Paper Machine No.3: The third paper machine was supplied by Messrs.Esherways GmbH, West Germany. During the year 1965-66, the Company was able to produce 18,000 m.tonnes of paper, thus reaching the targeted production stipulated at the time of second expansion formulation. Since then, production has increased continuously and during the year 1971-72, the Company was able to produce 24,076 m.tonnes of paper, achieving capacity utilization of 134%.
4. Paper Machine No.4: During the year 1974-75, at the instance of the Government of India, the Company installed a newsprint plant of the capacity of 75,000

m.tonnes per annum. The machinery for the newsprint plant was supplied by Messrs. Beloit Walmsley of U.K., while the cold-soda refiner mechanical pulping system for the same was supplied by Messrs. Bauer Brothers of the USA. Messrs. Jakko Poyry of Finland were involved in the project as consultant and commissioning engineers. Trial production was taken in the year 1981-82.

### 2.13 ORGANIZATION STRUCTURE:

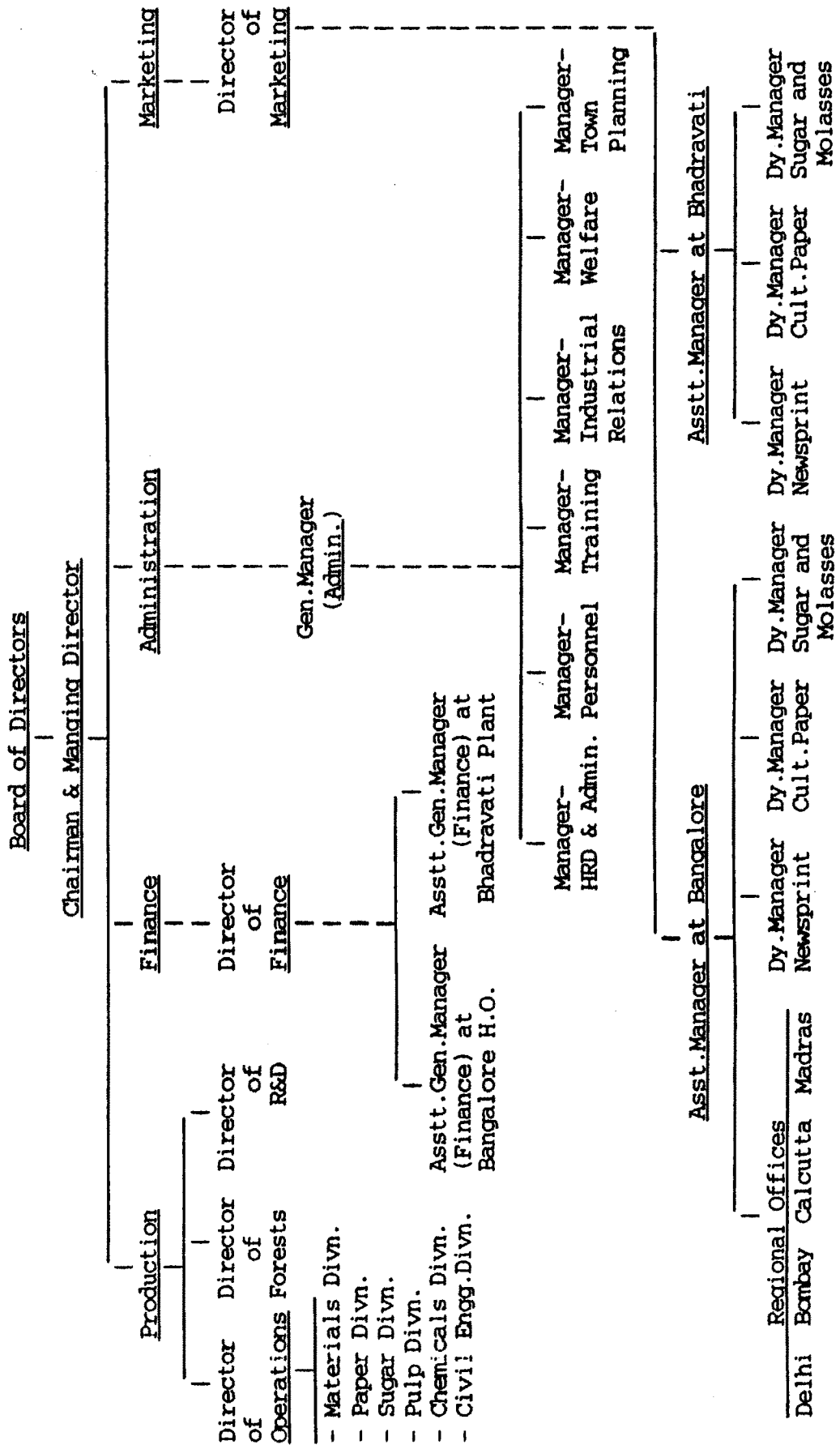
Organization structure of an enterprise very much depends upon its size, products manufactured and its constituent units. In public enterprises, Government plays an important role in determining the organization structure of the Unit. The organization structure is not static, but may change from time to time in response to the needs of the situation.

In the Mysore Paper Mills Limited, the Chairman and the Managing Director is the Chief Executive of the Company. He is charged with the responsibility of implementing the policy decisions taken by the Board of Directors and formulating the procedures and rules for policy implementation. In this task, he is assisted by the heads of four functional divisions, namely, production, finance, administration and marketing.

The chart on the following page describes the organization structure of the Company.

A brief comment on the organization chart of the Company is as under:

**ORGANIZATION CHART OF THE MYSORE PAPER MILLS LIMITED**



There are five executive directors on the Company's Board working under the overall supervision of Chairman of the Board who also is the Managing Director of the Company. The General Manager (Administration) is the highest managerial authority and is a Government appointee. For the day-to-day functioning of the Company, though he keeps in touch with executive directors, he reports to and is answerable to the Chairman & Managing Director only.

The heads of five functional departments (Production, Finance, Administration and Marketing) are in turn assisted by managerial personnel each responsible for a separate department. Although the organization chart on the paper shows a pyramidal hierarchy, the researcher's personal observation is that there is good formal and informal horizontal communication also between different department and division heads.

The Company's five regional marketing offices report the Assistant Marketing Manager at Bangalore, who also supervises three deputy managers handling three separate products.

There are no separate planning departments in any of the divisions, this responsibility being jointly entrusted to the Executive Directors.

### 3.12 WORKING RESULTS:

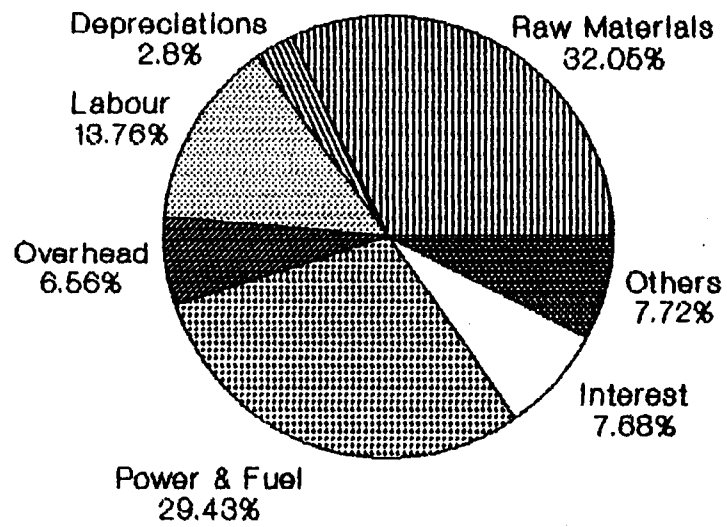
The working results of the Company for a period of six years 1988-94 are given in Table 3.2 on the following page:



Table 3.2  
Working results of the Mysore Paper Mills Limited for  
the period 1988-89 to 1993-94

Particulars	(Rs. in lakhs)				
	1988-89	1989-90	1990-91	1991-92	1992-93   1993-94
Profit/Loss for the year	-212.97	1305.30	2086.15	180.22	-87.36      840.54
Add/Deduct: Prior period adjustments and arrears of Depreciation	-61.95	-1030.68	2086.15	-180.22	87.36      -840.54
Profit(+)/Loss(-) before-tax	-274.62	+274.62	nil	nil	nil      nil

NE: Arrears of depreciation not provided for in the accounting years  
upto 31.3.1994 amounted to Rs.5,092.37 lakhs

**Chart 3.2 Distribution of Expenses**

Year 1993-94 : Rs.23,873 Lakhs

The working results for four consecutive years show that the Company's pre-tax profits are 'nil', because the accumulated errors of depreciation are wiping them out.

Furthermore, the Company has made certain long term investments and it will be quite sometime before these start paying returns.

The Company's distribution of expenses of Rs.23,873 lakhs in the year 1993-94 also are shown in Chart 3.2 on the preceding page.

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