

No paper tiger. TNPL turns the page with renewed growth and profits



Action plan: The paper maker has plans to increase its production capacity to one million tonnes by 2030

Is there a profitable State government-owned listed entity that has rewarded its shareholders continuously? Is there a State government-owned organisation that is on par with the top private players in its business segment? Or, is there a State government-owned entity that can be touted as the greenest?

Well, not many would know that the ₹4,069 crore Tamil Nadu Newsprint & Papers Ltd (TNPL), would make the count on all these questions. A successful experiment of the Tamil Nadu government to produce printing and writing paper (PWP) using the huge quantum of bagasse, a final waste in the sugar production chain, that was coming out of sugar mills in the State, proved to be not only a breakthrough project but also an environment-friendly one.

The TN government, along with IDBI, promoted TNPL in 1979 and remains the single largest shareholder, with 35.32 per cent stake, after IDBI sold its stake. TNPL is now the third largest player in the Indian paper industry with a pulping capacity of 1,180 tonnes per day. It runs the largest bagasse-based paper mill in the world and consumes about 14 million tonnes of bagasse per annum as raw material.

The company's factory at Kagithapuram in Karur district, TN, commenced production of newsprint and PWP in 1984 with a capacity of 90,000 tonnes per annum. Over four phases, the capacity was enhanced to four lakh tonnes per annum. The total capacity has now increased to six lakh tonnes per annum with a new 2-lakh tonne packaging board unit near Tiruchi. Meanwhile, it has set an ambitious vision under which it seeks to reach a capacity of one million tonnes by 2030.

TNPL produces a wide variety of high-quality paper and coated boards suited for different end-users. While it markets its products across the country, it also exports about 20 per cent of its production to over 35 countries across the globe and is the largest exporter of PWP.

Track record

In 2008-09, its revenue crossed the ₹1,000 crore mark and now it is a ₹4,000 crore-plus company.

Between FY10 and FY20, TNPL reported loss only once (FY18). Its sustained profitable journey was stopped by the pandemic, which impacted the company's performance and as a result, it incurred a loss in FY21, but managed to stage a strong recovery in the past couple of years. The PWP business has seen a strong revival with the opening up of the education sector and other end-consumer segments.



M Saikumar, Additional Chief Secretary and CMD, TNPL

“This fiscal is looking up; we recorded a very good performance. The printing and writing paper business is doing extremely well, but the paperboard business has seen a fall, maybe due to prevailing general economic conditions,” says Additional Chief Secretary and CMD of TNPL, M Saikumar, who is now spearheading the company's growth roadmap for the next five years.

During H1 of this fiscal, the company reported the highest-ever half-yearly revenue (₹2,524 crore), EBITDA (₹459 crore), and net profit (₹172 crore) since its inception.

Now, TNPL is completely booked for its PWP capacity of 4 lakh tonnes per annum. This year, it is likely to produce up to 4.4 lakh tonnes to meet the surge in demand. However, it has just received the clearance to ramp up the capacity to 4.8 lakh tonnes.

Under the planned ₹2,520 crore mill expansion, it has already spent ₹1,300 crore in its Tiruchi factory. It is now evaluating whether to build an additional 2 lakh capacity for paper/ packaging boards. Since there is a glut in the global capacity of packaging boards, most of the capacities are being diverted to India instead of going to the US and other markets. So it has roped in a consultant to study the market conditions and prepare a report to take a call on the expansion. TNPL is also contemplating about entering the specialty paper business in which it is scanning opportunities for making products such as wrapping, gift, and tissue papers.

“We are analysing the market conditions for specialty paper products. Presently, most of these products are coming from outside. The project may require a separate capex, land, adequate water, environmental approvals, etc. We may be required have to execute it with our own money of about ₹200 crore and borrowings. But, we may decide based on our revenue prospects and market conditions,” says Saikumar.

A remarkable feature in TNPL’s growth journey is its care for the environment. It began its green journey long before the momentum for environment focus kicked in the country.

Eco-friendly enterprise

Thanks to the implementation of advanced technologies, TNPL runs the most environmentally-benign mill in a water-intensive industry. “TNPL is the greenest company. There is a strong circular economy created by it. We have the lowest consumption of water per tonne when compared with others in the industry,” adds Saikumar.

Its consumption of water at 35 kL per tonne of paper is one of the lowest in the paper production industry. TNPL is also self-sufficient in power consumption through its captive power generation capacity of 104 MW, which includes a wind power capacity of 35.5 MW. It has also established a cement manufacturing unit to convert the mill waste lime sludge and fly ash into high-grade cement.

While the Indian government now talks about self-reliant measures in a host of industries, TNPL had already embarked on it with measures such as farmer forestry and captive plantation schemes to meet the increasing raw material requirement and become self-reliant in pulp wood. It undertook pulp wood plantation schemes with the participation of farmers and has so far developed more than 2.11 lakh acres of pulp wood plantations involving over 40,000 farmers throughout the State.

“We compare ourselves with top players like ITC and JK Paper. We are among the best in terms of consumption of raw materials and waste reduction. Overall, we are on par with if not better,” states Saikumar.

TNPL has also consistently been paying dividends. Between FY13 and FY20, it paid a dividend in the range of 50-75 per cent. In the Covid-impacted FY21 and FY22, it paid 40 and 30 per cent respectively. Its share prices too have now shot up to ₹250-plus on BSE when compared with ₹140 to ₹150 two years ago. “Though historically, its key metrics are unimpressive, the company has performed well in the recent quarters. Its operating metrics during the first half of this fiscal are probably the best in its history. The market is still unconvinced if this trend will sustain

and is awaiting more evidence in the coming quarters. Investors still seem to treat this company as a commodity play and are always wary of the cycle reversing,” said Shyam Sekhar, Founder of ithought, a SEBI-registered RIA (registered investment advisors) and PMS (portfolio management services) firm.

Recently, rating agency ICRA revised its ratings for the company’s outlook to stable from negative. “The revision in the rating outlook to stable considers the improvement in the operational and financial profile of TNPL in FY22 and Q1 FY23, with expectations of sustained improvement in its performance going forward,” it said.