

# “An Analytical Study on the Financial Representation of India's Paper Industry”

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## Abstract

This study aims to provide an analytical assessment of the financial representation of India's paper industry. The paper industry plays a significant role in India's economy, contributing to employment generation, revenue generation, and supporting various sectors. By examining key financial indicators and performance metrics, this study provides insights into the financial health, growth prospects, and challenges faced by the industry. Additionally, it explores the impact of macroeconomic factors, government policies, and global market dynamics on the industry's financial representation. The findings of this study can assist stakeholders, investors, policymakers, and industry participants in understanding the current state of India's paper industry and making informed decisions.

**Keyword: - Assessment, Financial, Macroeconomic, India's paper industry.**

## Introduction

The paper industry plays a vital role in the economic development of India. It is an essential sector that contributes to the country's GDP, provides employment opportunities, and supports various other industries. The purpose of this analytical study is to examine the financial representation of India's paper industry, including its revenue generation, profitability, growth prospects, and financial performance indicators.

India is one of the largest producers and consumers of paper globally, with a significant presence in both domestic and international markets. The paper industry in India encompasses a wide range of products, including writing and

printing paper, packaging paper, specialty paper, and newsprint. The industry consists of several players, including large integrated paper mills, small and medium-sized enterprises (SMEs), and recycled paper manufacturers.

This study aims to analyze key financial aspects of India's paper industry, providing insights into its overall financial health and performance. By examining financial data such as revenue, profitability ratios, liquidity ratios, and leverage ratios, we can gain a comprehensive understanding of the industry's financial landscape.

Furthermore, this study will also explore the factors influencing the financial performance of the paper industry in India. These factors may include raw material costs, energy prices, government policies, technological advancements, and market dynamics. Understanding these factors is crucial for assessing the industry's financial resilience and identifying potential opportunities and challenges.

The findings of this study will not only benefit stakeholders within the paper industry but also investors, policymakers, researchers, and analysts who are interested in the Indian market. The analysis will provide valuable insights into the industry's financial outlook, investment potential, and future growth prospects.

In summary, this analytical study will delve into the financial representation of India's paper industry, examining its revenue generation, profitability, growth prospects, and financial performance indicators. By analyzing key financial aspects and identifying influential factors, we can gain valuable insights into the industry's financial health, opportunities, and challenges.

India's paper industry holds significant importance in the country's economic landscape. It serves as a crucial sector for employment generation, revenue contribution, and industrial development. The industry encompasses the production of various paper products, including printing paper, writing paper, packaging materials, and specialty papers. With the growing population, urbanization, and increasing literacy rates in India, the demand for paper products has witnessed a steady rise.

The objective of this analytical study is to delve into the financial representation of India's paper industry. By analyzing key financial indicators and ratios, we aim to provide valuable insights into the industry's financial health, performance, and prospects. Understanding the financial dynamics of the paper industry is crucial for investors, policymakers, industry participants, and other stakeholders, as it enables informed decision-making and strategic planning.

The study will rely on publicly available financial statements of major paper industry players, industry reports, and relevant data sources. By employing a comprehensive methodology, we will evaluate various financial aspects,

including revenue trends, profitability, and capital structure, liquidity, and investment patterns. These aspects will be assessed over a specific period to identify the industry's financial performance and position.

India is becoming a global industrial hub, and it has all the skills it needs in product, process, and capital engineering because it has been making things for a long time and has a good technical education system. India is becoming a global manufacturing powerhouse because its workers are cheap and skilled. This is bringing companies from many different industries. India has a lot of design skills, which has led to a lot of technology orders being sent there.

The manufacturing industry is the main source of wealth in an economy. It employs a large portion of the workforce and makes materials that are needed by key sectors like national infrastructure and defence. Manufacturing process management refers to the use of different technologies and methods in these businesses. Engineering industries, construction industries, electronics industries, chemical industries, energy industries, textile industries, food and drink industries, metalworking industries, plastic industries, transport and telecommunication industries, and energy industries are some of the main types of manufacturing industries.

According to an analysis by the United Nations Industrial Development Organization (UNIDO) based on 2007 data from the International Yearbook of Industrial Statistics 2009, India is the top producer of manufacturing value-added (MVA) goods among the 12 largest countries. In textiles, the country ranks fourth, after China, the US, and Italy. In electrical tools and equipment, however, it ranks first comes in fifth. It ranks sixth in the category of basic metals, seventh in the category of chemicals and chemical products, and tenth in the category of leather and leather goods that have been refined petroleum products and nuclear fuel, 12th in tools and equipment and motor vehicles, and 15th in paper and paper products.

## **Review of the Literature**

In his study "Profitability and Size of the Firm: Some Further Evidence" from 1969, Marcus tried to re-evaluate the idea that the rate of return goes up as the size of the firm grows by using new data and a better way to analyse it. He's come to the conclusion that the hypothesis didn't work the same way in all businesses, so it can't be seen as having general validity.

In their 1971 paper "Profitability and Growth of Firms: The Case of Indian Chemical Industry," Subramanian and Papola tried to study how different financial policy variables affect growth, based on the idea that profitability is a big factor in growth. In the study, growth was used as the dependent variable, and it was looked at using several different measures, such as profitability, size, retention ratio, and liquidity. The study looked at 27 companies in the

Indian chemical industry that were listed on the stock market between 1960 and 1969. The authors have noticed that in the chemical business, there is a strong link between growth and making money.

Agarwal's work "Size, Profitability, and Growth of Some Manufacturing Industries" from 1978 tries to look at the relationship between profitability (measured as profit/net worth and net profit/net assets) and size (measured as total sales) for seven Indian manufacturing industries: sugar and brewing, jute textiles, cotton spinning and weaving, ginning, cement, paper and pulp, and aluminium. Agarwal has noticed that there is a link between growth and profit in the sugar and brewing industries, the jute textiles industry, the cotton spinning and weaving industries, and the aluminium industry, but not in the other industries.

Neumann, Bobel, and Haid did a study called "Profitability, Risk, and Market Structure in West German Industries" in 1979. They used risk and market structure to explain the average rates of return for 334 West German joint stock companies from 1965 to 1973. The researchers came to the conclusion that investors don't like taking risks and that taking risks is rewarded with a better rate of return. Profitability is affected positively by the degree of focus and the way products are different, but it is hurt by the ratio of exports to imports. When it comes to size and making money, smaller companies tend to be more open and take more risks on growth than bigger ones. The researchers also came to the conclusion that progress and profit are not related to each other.

In 1980, Mahalingam did a study called "Financial Performance of Indian Sugar Industries." In this study, he looked at how sugar mills work and how cooperative sugar mills actually help people. He had noticed that the benefits include an increase in pay, which led to a change in how they grew their crops, more jobs, and the growth of their industrial and business operations in and around the cooperative sugar mill.

In his work "Price-Cost Margin in Indian Manufacturing Industries: An Econometric Analysis" from 1981, Asha Jain looked at how the price-cost margin has changed over time in Indian manufacturing industries. The price-cost gap is a way to figure out how profitable a business is. Cost factors seem to have a big effect on profits, while structural variables like concentration ratio, capacity utilization, growth, and capital intensity show a more complicated picture. He has seen how the effects for different industries are different.

## **Need of the Study**

The paper business uses a huge amount of energy. The health of a country's economy has a lot to do with how well the paper business is doing. More than 0.12 million people work directly in the paper business, and another 0.34 million work indirectly in it.

Paper and paper goods are so important in modern life that no other manufactured product can be used in so many different ways. Paper is one of the most common ways to talk to people and share knowledge. But one problem the paper business has is that it doesn't make enough money. Underutilization of production capability, higher costs of production, labour disputes, and bad financial management are all things that can cause the industry to make less money than it should. Some research has been done on how well the paper business does financially at the state level, and a few studies have been done on individual mills. So, the researcher tries to find out how well the Indian paper business does financially.

## **Statement of the problem**

In a society built on knowledge, paper is very important for effective communication, especially when information is written down and passed from one person to another. For all administrative reasons, only written documents are accepted as proof by the government and other authorities. Legal and official processes have shown that written communication works and can be trusted. Print media has been successful in the news and information sharing business since the beginning of time. Even though there are new electronic platforms and different kinds of creative ads, paper ads still have their own place in the advertising world. Paper is also used instead of polythene, which is bad for the earth all over the world. So, paper is a very important thing that is needed in all parts of life.

The Indian paper business went through a rough time after the economy was opened up. Because of this, trade hurdles between the countries went down. But foreign trends will shape the future of the paper business. Global economic factors have a big effect on how well the Indian paper business does. Under these conditions, the paper business was in a big problem for many different reasons. It has also been found that the Indian paper companies don't do a good job of making money.

Even though the paper business is considered a "core" sector, it is sad that it is in a deep operational and financial crisis. At the moment, the business is going through some tough times. About one-sixth of the paper mills have closed, and a few of the ones that are still open are in bad shape. The fact that these mills don't make much money and have a weak financial base has made it harder for them to get through the current crisis. Small and medium-sized paper mills as well as big paper mills in most states are hit hard by the crisis. Many of the mills are losing money all the time, and some of them have been losing money since they first opened. Due to continued operating losses, the net worth of some businesses has been totally wiped out. Most of the mills are always having money problems, and it's getting harder and harder for them to get more money.

## **Research Question**

Paper mills have a lot of problems that hurt their finances, such as a severe lack of working capital, uncertainty about the availability of raw materials, a lack of coal and power, outdated technology, under-used capacity, not being able to meet interest obligations, not paying back loans, not accounting for depreciation, a drop in demand, not having an effective chemical recovery system, not having good infrastructure support, and not having enough skilled workers. In the end, these things hurt the business's ability to make money. This made the researcher want to look into how well the Indian paper business does financially. The researcher has looked into the following questions based on the above issues:

1. How and when did the paper business in India start?
2. What could be the trend of paper companies in India in terms of how well they do their jobs?
3. What is the business situation of India's paper companies?
4. How much money do the paper companies in India have and can they pay their bills?

## Objectives of the study

The main goals of the study are the following:

1. To find out how the Indian paper business has grown and changed over time.
2. To figure out how paper companies in India are getting better at their jobs.
3. To figure out how profitable the paper businesses in India are.
4. To look at the paper companies in India's cash flow and financial stability.
5. To summarize the most important results of the study and to make ideas for how paper companies in India can do better.

## Research Hypotheses

With the data and tools, the following theories have been made and tested:

1. The measures of profitability, liquidity, and solvency of a few paper mills in India don't change much from one company to the next or from one year to the next.
2. There isn't much of a link between how much capacity is being used, how much is being made, and how much is being sold at the selected paper mills.
3. Solvency ratios and activity ratios have no major effect on Net Profit Ratio and Return on Total Assets.

## Research Methodology

For this study, the big Indian paper companies that are traded on the Mumbai Stock Exchange were used. In Table 1.1, you can see a list of India's big paper companies.

**Table 1.1****List of the big Indian paper companies**

<b>S. No.</b>	<b>Paper Company Name</b>
1	Pudumji Industries Limited
2	West Coast Paper Mills Limited
3	Ballarpur Paper Mills Limited
4	Seshasayee Paper and Boards Limited
5	Pudumjee Paper Mills Limited
6	Shreyans Paper Mills Limited
7	Andhra Pradesh Paper Mills Limited
8	Star Paper Mills Limited
9	JK Paper Mills Limited
10	Satia Paper Mill Limited
11	Enami Paper Mill Limited
12	Tamilnadu Newsprint and Paper Limited
13	Rama Paper Mills Limited
14	Sirpur Paper Mills Limited
15	Orient Paper Mills Limited
16	Hindustan Paper Corporation Limited
17	Ruby Macons Limited
18	Hindustan Newsprint Limited
19	Mysore Paper Mills Limited

The 19 companies that make paper were chosen based on the following factors. So, the study has to do with:

1. Businesses that started before 1997-1998.
2. Businesses that are traded on the Mumbai stock exchange.

3. Those businesses that will still be open at the end of the study time.

Out of the 19 large paper companies mentioned, data was not available for Hindustan Newsprint Limited, Hindustan Paper Corporation Limited, Pudumji Industries Limited, Ruby Macons Limited, Satia Paper Mill Limited, and Enami Paper Mill Limited. So, the 13 companies left on Table 1.2 have been taken into account for the study.

**Table 1.2****Paper makers were chosen for the study.**

<b>S. No.</b>	<b>Paper Company Name</b>
1	Rama Paper Mills Limited
2	Sirpur Paper Mills Limited
3	West Coast Paper Mills Limited
4	Mysore Paper Mills Limited
5	Andhra Pradesh Paper Mills Limited
6	Seshasayee Paper and Boards Limited
7	Star Paper Mills Limited
8	Orient Paper Mills Limited
9	JK Paper Mills Limited
10	Pudumjee Paper Mills Limited
11	Shreyans Paper Mills Limited
12	Tamilnadu Newsprint and Paper Limited
13	Ballarpur Paper Mills Limited

**Study time frame**

The study covers ten financial years, from 1997-1998 to 2016-2017.

**Data Sources**

The information needed for the study came from places other than the study itself. The data came from the Centre for Monitoring Indian Economy (CMIE) ability data base and the Capita line data base. Information was also gathered from published annual reports, the Annual Survey of Industries, the Stock Exchange Official Directory, the



Centre for Industrial and Economic Research's (CIER) Industrial Data Book, publications from the Indian Pulp and Paper Technical Association (IPPTA), and the official websites of the selected companies. Several business and banking journals and magazines have also been looked at.

## **Analysis of the Situation**

Several methods have been used to look at the performance of big paper companies. Calculations have been made using methods like ratio analysis, mean, standard deviation, co-efficient of variation, yearly growth rate, and compound annual growth rate. The analysis of variance has been used to test the theories, or to see if there is a big difference between the group means of the dependent variable and how the independent variables are grouped. Based on certain performance indicators, the companies are ranked using a numerical scoring method. The financial health of the paper business is measured by Altman's Z score model.

## **How the study was done**

The arithmetic mean, the standard deviation, the co-efficient of variation, the yearly growth rate, and the compound annual growth rate were used to do the analysis. The study used a number of tools and methods, such as:

## **Research Gap**

The financial representation of India's paper industry is a topic that has received attention from researchers, but there are still several research gaps that exist. Some of the notable research gaps in this area include:

- Limited studies on the financial performance of small and medium-sized enterprises (SMEs) in the paper industry: While there are studies available on the financial performance of large paper companies in India, there is a lack of research focusing specifically on SMEs in the sector. SMEs play a significant role in the Indian economy, and understanding their financial representation and challenges is crucial for a comprehensive analysis of the industry.
- Lack of longitudinal studies: Most of the existing research in this area tends to be cross-sectional in nature, providing a snapshot of the financial representation of the paper industry at a particular point in time. Longitudinal studies, which examine the financial performance and representation of the industry over an extended period, can provide valuable insights into trends, patterns, and the impact of various factors on the industry's financial health.
- Limited exploration of non-financial factors impacting financial representation: While financial indicators such as profitability, liquidity, and solvency are commonly used to assess the financial representation of an

industry, there is a need for research that goes beyond these traditional measures. Exploring non-financial factors such as sustainability practices, technological advancements, market dynamics, and government policies can offer a more holistic understanding of the industry's financial representation.

## Limitation of the Study

The following things can't be said about this study:

1. This study did not look at the financial success of small and medium-sized businesses.
2. This study only looked at the financial success of companies that were on the stock market. Companies that weren't on the stock market were left out of the study.
3. The study time is limited to ten financial years, so changes that happened before and after the study period were not taken into account.
4. The study is based on data from other sources, and its results rely on how accurate those data are.

## Conclusion

In conclusion, the analytical study on the financial representation of India's paper industry provides valuable insights into the industry's financial health, performance, and future prospects. The study examined key financial aspects such as revenue generation, profitability, growth prospects, and financial performance indicators to assess the industry's financial representation. India's paper industry holds significant importance in the country's economy, contributing to its GDP, providing employment opportunities, and supporting various other industries. The industry encompasses a wide range of products and includes players of different sizes, from large integrated paper mills to small and medium-sized enterprises. The analysis of financial data revealed that the paper industry in India has shown positive revenue growth over the years, driven by increasing demand for paper products both domestically and internationally. However, profitability ratios indicated that the industry faces challenges in maintaining consistent profit margins, which can be attributed to factors such as raw material costs, energy prices, and market dynamics.

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