

The Coastal Papers Limited-A Technocrat Mini Paper Mill in Andhra Pradesh

RAO, C. V.*

INTRODUCTION

Change is the sinequanon of growth. We, in India resist change when it comes to a question of occupation or career, may be due to fear of risks that may arise when you seek a change. Resistance to change has almost become an inhibiting factor for technological or economic development of our nation. It is therefore necessary that the people should adapt themselves and seek for changes by bringing out their inherent and in-built creativity, and innovation for growth and development, for, an individuals growth and development connotes to the general wellbeing of the many. It is in this direction that the Coastal Papers Ltd., a technocrat Mini Paper Mill situated at Kadium, near Rajahmundry is a good example.

PROMOTERS

Coastal Papers Ltd., has been promoted by a group of technocrats, who worked in the A. P. Paper Mills Ltd., Rajahmundry, for over a decade in responsible positions. During their service with the A.P. Paper Mills, they gained good experience in different disciplines, viz., personnel management, planning and development, paper making, electrical and mechanical engineering etc. After serving for over a decade, they decided to have a change for betterment from service to entrepreneurship. Consequently, they have decided to promote a Mini Paper Mill with an installed capacity of 2,500 tonnes per annum and prepared a scheme with a total capital out-lay of Rs. 98 lakhs. This was the real testing time for them as many questions cropped up before them, such as, how to raise the share capital required for the project, whether the institutions would clear the project, how to provide detailed engineering drawings, modes of procurement of plant and machinery etc.

Then they decided to first sound the APIDC, the State Industrial Development Organization, for promotion of the project in joint venture. They approached the APIDC with the detailed project report and the APIDC liked the idea of experienced technocrats coming for promotion of a project and agreed for joint venture on the basis of contributing share capital on 26 : 25.

*Coastal Paper Limited, Rajahmundry (A.P.)

With this initial encouragement given by APIDC, the promoters approached IDBI for accepting the scheme. The IDBI was kind enough to accept the same in principle, but expressed doubts regarding the technical know-how, authenticity of detailed engineering drawings and fabrication of equipments to be done by them without any consultants. Further, the IDBI wanted promoters to satisfy them as to how complete paper machine could be fabricated without any imported components like head box, suction couch, calender rolls etc. It was natural to IDBI to express these doubts as promoters were not known people in the field and the Institutions normally accept procurement of plant and machinery from established machinery manufacturers only.

It was explained to IDBI that the entire technical know-how, detailed engineering drawings etc., proposed to be given by the promoters, was based on their practical experience at the A.P. Paper Mills Ltd., a large paper manufacturing concern, for over a decade and that they could examine the detailed drawings prepared by the promoters and satisfy themselves by placing the scheme before experts for opinion, for which the Institution agreed. With this, promoters got further confidence that the project would be cleared.

Then the promoters decided to leave the services of A.P. Paper Mills for promotion of the project. However, instead of immediately resigning, they availed their accumulated earned leave ranging from 6 to 7 months and did all the required preliminary work. It was in the month of November 1974, that they entered into a Joint Venture Agreement in the name of C.V. Rao & Associates with APIDC and it was on 11th December 1974 got the Company incorporated and it was on the same day foundation stone was laid by the Chief Minister of Andhra Pradesh on 45 acres plot near Kadium, a rural area, acquiring the land from the Govt. of Andhra Pradesh. By the end of December 1974 most of the important detailed engineering drawings were ready. During the month of January 1975, they pooled some share capital from the promoters and took risk by placing orders for long delivery items like boiler and electrical equipments etc. Even at this stage, they did not know whether the project would be cleared by the Financial Institutions or not. However, they had to take that risk in order to save time for implementing the project.

INSTITUTIONS APPROVAL

It was in the month of March 1975, IDBI visited for site inspection and also scrutinised the prepared detailed engineering drawings and examined the facilities available in local workshops for fabrication of equipments and they were fully satisfied. The IDBI immediately formed a Committee of Experts in Paper Industry for obtaining their opinions. The Experts Committee unanimously approved the scheme and on the basis of which IDBI and ICICI have agreed to clear the project. They received the sanction letters for providing loan of Rs. 60 lakhs by September 1975.

LOCAL WORKSHOPS

In the meanwhile, the promoters surveyed the facilities available at local workshops and based on their facilities, the promoters have given their detailed drawings and given them the material required for fabrication and supervised the work regularly, for which lot of attention was devoted and all the workshops have done outstanding job strictly as per the drawings given by them. In this process, the workshops have gained experience and improved their skills and to-day they are capable and proud of fabricating many paper mill equipments.

CIVIL CONSTRUCTION & ERECTION WORKS

They have started civil works by October 1975 and the paper machine building was ready by March 1976 and they have taken up erection of paper machine immediately. Factory buildings were completed by December 1976. Erection of plant and machinery was completed in January 1977 and they commissioned the project and were happy to find that the entire plant and machinery fabricated by them were found working very satisfactorily.

PUBLIC ISSUE

Capital formation has always been shy in this country. They offered Rs. 15 lakhs Equity Shares to the public and it was happily fully subscribed mainly from rural areas of East and West Godavari Districts. The reasons for full subscription of the issue could be attributed that people in general have confidence in paper industry and the investors liked the group of technocrats resigning from service and promoting the project and further they were satisfied with the progress of the project. That was one of the few public issues in the country during 1976-77 got fully subscribed.

CAPACITIES

They have been making full production since October 1977 and they have no problem of sales and they expect to make reasonably good profits this year barring unforeseen circumstances.

DIFFICULTIES FACED IN THE IMPLEMENTATION

In the process of implementation of the project, they have faced several difficulties and by grace of god, they could wade through them and reached the goal.

The key to the entire success was the cohesiveness of the promoters, who worked day in and day out and they never had any holiday till to-day. All is not well with Mini Paper Mills. They will be successful only if the project cost could be kept minimum and supported by dedicated hard work and economic honesty. On one side, every function required experienced personnel and on the other hand the organization cannot afford employment of personnel for each function.

SAVINGS IN PROJECT COST

They could complete the project within the estimated cost of Rs. 98 lakhs mainly due to the following reasons :

- (1) Consultancy charges of substantial sum were avoided.
- (2) Fabrication of pulp and paper machine equipments in local workshops, which caused substantial savings.
- (3) General recession period prevailed in 1975 helped in obtaining steel and auxiliaries at a lesser cost.
- (4) Civil works were done very economically by departmental executives.
- (5) Land was obtained at a very cheap rate.

SALIENT FEATURES

The salient features of this project are as under :

- (1) This is the first technocrat joint venture Mini Paper Mill in the country.
- (2) This is the first Mini Paper Mill with complete indigenous plant and machinery without any imported components with similar installed capacity and standard of sophistication.
- (3) This is the first Mini Paper Mill with lowest capital investment.
- (4) This experience paves way for technician oriented industrial growth.
- (5) This gives encouragement for experienced technicians to develop the spirit of entrepreneurship.

DETERMINATION

When they originally thought of this project, several people in the industry and in the society expressed doubts about their capabilities to successfully complete the project without any God father. Without being dissuaded by initial apprehensions of the people,

they were determined to risk all their lives for the purpose and determined firmly to go ahead based on their experience and confidence and they had clear vision. Without vision man perishes. They have not only invested capital but have also invested their whole life into it.

PERFORMANCE

Thanks to the encouragement and help extended by the Financial Institutions and APIDC and with the support of well wishers, they have done what the distinguished IPPTA delegates have seen during their visit to the Factory in January 1978.

EXPANSION

They have plans for the further expansion of the project upto 30 tonnes and the Financial Institutions are willing to extend help and they seek the blessings and good will of the IPPTA for future growth of this small organization.

PROJECT DETAILS

	(Rs. in lakhs)
Total cost of Project :	98
Share Capital : —	7.5 Promoters 7.8 APIDC.
	15.30
	14.70 Public
	30.00
	8.00 Preference.
Total :	38.00

Term Loans :

(Rs. in lakhs)
25.00 IDBI
15.00 ICICI
13.00 Canara Bank
7.00 APSFC

Total : 60.00

Annual Installed Capacity : 2,500 Tonnes

Production expected this year : 3,000 Tonnes

Paper Manufactured by the Company :

- (1) M.F. Plain kraft from 40 to 150 GSM
- (2) Blue Match
- (3) Creamwove.
- (4) Coloured Printing.
- (5) Colour Card

Employment potential : 200 workers & staff.
Board of Directors : 2 from promoters
3 from APIDC
1 IDBI Nominee
1 from Public

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Raw Materials used : Waste Paper
Jute Waste
Waste Gunny
Cotton Waste
Begasse
Mesta.

Contribution to State's : Excise —Rs.90,000
Exchequer per month : Sales tax —Rs.50,000
Other taxes —Rs.20,000

Total approximately : —Rs.1,60,000