



# A STUDY ON DIVIDEND POLICY OF TAMILNADU NEWSPRINT AND PAPERS LIMITED WITH SPECIAL REFERENCE TO 2014-15 TO 2019-20

**Dr.C.RAJA**

*Associate Professor, Department of Commerce, NIFT – TEA College of Knitwear Fashion Tirupur*

---

## ABSTRACT

*The present study aims to identify the financial strengths and weaknesses of the Tamil Nadu Newsprint and Papers Limited (TNPL) by properly establishing relationships between the items of the balance sheet and profit and loss account. The study has been undertaken for the period of Six years 2014 -15 to 2019-20 and the necessary data have been obtained from CMIE database. The liquidity position was strong in case of TNPL thereby reflecting the ability of the company to pay short-term obligations on due dates and they relied more on external funds in terms of long-term borrowings thereby providing a lower degree of protection to the creditors. Financial stability of TNPL has showed a downward trend and consequently the financial stability of TNPL has been decreasing at an intense rate.*

*This is a major limitation of the research. The study is of crucial importance to measure the firm's liquidity, solvency, profitability, stability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value. The study will help investors to identify the nature of paper industry and will also help to take decision regarding investment.*

**KEYWORDS**—TNPL, Newsprint, Dividend, Papers

---

## I.INTRODUCTION

Finance always being disregarded in financial decision making since it involves investment and financing in short-term period. Further, also act as a restrain in financial performance, since it does not contribute to return on equity. A well designed and implemented financial management is expected to contribute positively to the creation of a firm's value. Dilemma in financial management is to achieve desired tradeoff between liquidity, solvency and profitability.

Management of working capital in terms of liquidity and profitability management is an essential for sound financial recital as it has a direct impact on profitability of the company. The crucial part in managing working capital is required maintaining its liquidity in day-to-day operation to ensure its smooth running and meets its obligation. Ultimate goal of profitability can be achieved by efficient use of resources. It is concerned with maximization of shareholders or owners wealth. It can be attained

through financial performance analysis. Financial performance means firm's overall financial health over a given period of time. Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analyst attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value. The Indian Paper Industry is a booming industry and is expected to grow in the years to come. The usage of paper cannot be ignored and this awareness is bound to bring about changes in the paper industry for the better. Paper Industry in India is moving up with a strong demand push and is in expansion mode to meet the projected demand of 20 Million tons by 2022. In order to keep the Indian Paper industry rolling, the foremost thing



which must be kept in mind is the availability of the raw materials. Every possible effort is to be made to take India at par with the other paper industries of the world. Application of paper is varied and one cannot think of a life without paper. The raw materials need to be of good quality. There should be enough modernized techniques to carry out production. Reducing costs should be accompanied by low cost of production. Policies should be implemented to bring about optimum production. Government has completely de-licensed the paper industry with effect from 17th July, 1997. The Paper industry is a priority sector for foreign collaboration and foreign equity participation upto 100% receives automatic approval by Reserve Bank of India. There are, at present, about 515 units engaged in the manufacture of paper and paperboards and newsprint in India. Obviously TNPL is a public sector company and it has been the backbone of the Indian economy, as it has acted as a strategic partner in the nation's economic growth and development.

### 1.1. Introduction about TNPL

The Tamil Nadu Newsprint and Papers Limited (TNPL) was established by the Government of Tamil Nadu to produce newsprint and writing paper using biogases, a sugarcane residue. The Government of Tamil Nadu listed the paper mill in April 1979 as one of the most environmentally compliant paper mills in the world under the provisions of the Companies Act of 1956. The factory is situated at Kagithapuram in the Karur District of Tamil Nadu and Manapparai, Trichy district of Tamilnadu. The registered office of the company is located in Guindy, Chennai.

### 1.2 Introduction about Dividend

A dividend is the distribution of some of a company's earnings to a class of its shareholders, as determined by the company's board of directors. Common shareholders of dividend-paying companies are typically eligible as long as they own the stock before the ex-dividend date. Dividends may be paid out as cash or in the form of additional stock.

- A dividend is the distribution of some of a company's earnings to a class of its shareholders, as determined by the company's board of directors.

- Dividends are payments made by publicly-listed companies as a reward to investors for putting their money into the venture.
- Announcements of dividend payouts are generally accompanied by a proportional increase or decrease in a company's stock price.

## II. REVIEW OF LITERATURE

**Campbell (2008)** constructed a multivariate prediction model that estimates the probability of bankruptcy reorganization for closely held firms. Six variables were used in developing the hypotheses and five were significant in distinguishing closely held firms that reorganize from those that liquidate. The five factors were firm size, asset profitability, the number of secured creditors, the presence of free assets, and the number of under-secured secured creditors. The prediction model correctly classified 78.5% of the sampled firms. This model is used as a decision aid when forming an expert opinion regarding a debtor's likelihood of rehabilitation. No study has incorporated the financial performance analysis of the central public sector enterprises in Indian drug & pharmaceutical Industry. Nor has any previous research examined the solvency position, liquidity position, profitability analysis, operating efficiency and the prediction of financial health and viability of public sector drug & pharmaceutical enterprises in India. **Satyanarayana Chary and Sampath Kumar (2011)** discussed in their article that working capital is one of the vital decisions of financial management function. Profitability and working capital relationship is frequently emphasized for deciding on the level of investment in working capital. All manufacturing firms need to understand the association between these two variables to arrive at optimal financial decisions. Though theories exist on the topic, empirical methods are inadequately focused in arriving at conclusions.

## III. METHODOLOGY

The present study covers TNPL. The necessary data have been obtained from CMIE database. The study has been undertaken for the period of Seven years from 2004-05 to 2013-14. In order to analyze financial performance in terms of liquidity, solvency, profitability and financial efficiency, various accounting ratios have been used. Various statistical measures have been used



#### IV. DATA ANALYSIS

The Financial Results for the year under review are summarized below

Particulars	(` in Crore)	
	2019-20	2018-19
Revenue from operations	3471.11	4082.71
Other Income	37.52	39.24
<b>Operating Profit (PBIDT/EBIDTA)</b>	<b>644.36</b>	615.24
Finance cost	222.59	233.36
<b>Gross Profit (PBDT)</b>	<b>421.77</b>	381.88
Depreciation & Amortization Expense	231.24	226.68
<b>Profit/Loss before tax (PBT)</b>	<b>190.53</b>	155.20
Tax Expense	60.50	60.81
<b>Profit/Loss after tax (PAT)</b>	<b>130.03</b>	94.39
Other Comprehensive Income	(2.92)	(4.12)
<b>Total Comprehensive income (Net of Taxes)</b>	<b>127.11</b>	90.27

(Source : Secondary Data)

#### Key Financial Ratios

The Management had reviewed the changes in key

financial ratios and have noted significant changes in all the ratios as given below:

Particulars	UOM	2019-20	2018-19	% change Inc / Dec	Remarks
Revenue from Operation	Rs Cr	3437.60	4040.87	-15	
EBIDTA Margin *	%	18.8	17.0	10	
Operating Profit Margin (EBIT) *	%	25.5	22.6	13	
Net Profit Margin (PAT)	%	3.8	2.3	62	Note 1
Interest cover ratio (All Loans) *	times	2.90	2.95	-2	
Debt Equity Ratio (Long term)	times	0.87	1.01	14	
Debt Equity Ratio - LTL (Excl. Project loan) **	"	0.94	1.01	7	
Current ratio #	times	1.27	1.00	27	Note 2
Debtors Turnover (as a % on Revenue)	%	15	11	-40	Note 3
Inventory Turnover (as a % on Revenue)	%	25	21	-16	Note 4
Return on Net Worth	%	7.6	5.7	33	Note 1

\*Profit prior to exceptional item

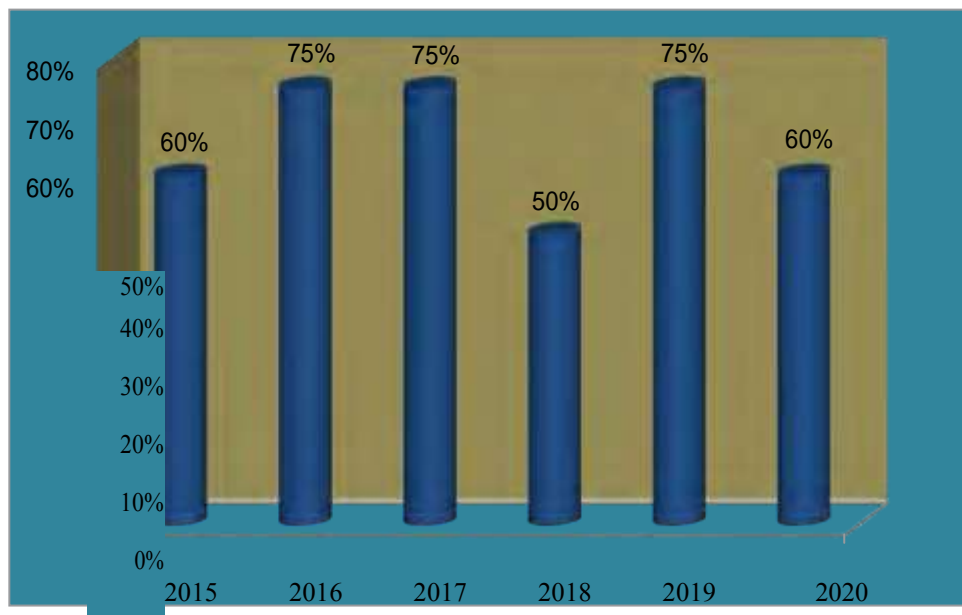
\*\* Debt includes "Current Maturities of Long Term Loans" grouped under Current liabilities

# For Current ratio, Current liability excludes "Current Maturities of Long Term Loans"



#### 4.1 Dividend Details

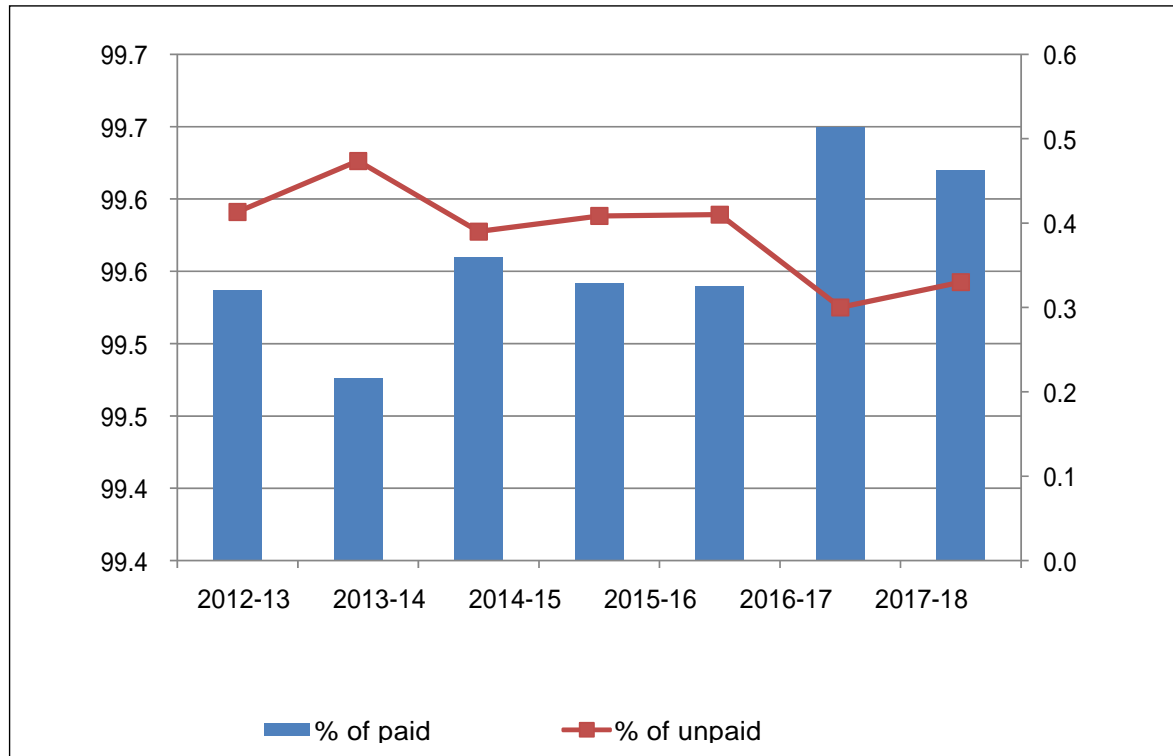
Financial Year	Dividend %	Total Dividend (Rs. in Lakhs)
2014-15	60%	4152.64
2015-16	75%	5190.80
2016-17	75%	5190.80
2017-18	50%	3460.53
2018-19	75%	5190.80
2019-20	60%	4152.63



#### DIVIDEND STATUS FOR THE LAST 7 YEARS

(` In lakhs)

SL No.	YEAR	SHARE CAPITAL	DIVI DEND %	DIVIDEND AMOUNT	DIVIDEND PAiD	DIVIDEND UNPAID AS ON 31.3.2019	% OF PAID DIVIDEND	% OF UNPAID DIVIDEND
1	2012-13	6921.06	50	3460.53	3446.40	14.13	99.59	0.41
2	2013-14	6921.06	60	4152.63	4133.13	19.50	99.53	0.47
3	2014-15	6921.06	60	4152.63	4136.36	16.27	99.61	0.39
4	2015-16	6921.06	75	5190.80	5169.59	21.04	99.59	0.41
5	2016-17	6921.06	75	5190.80	5169.29	21.51	99.59	0.41
6	2017-18	6921.06	50	3460.53	3450.18	10.35	99.70	0.30
7	2018-19	6921.06	75	5190.80	5173.47	17.33	99.67	0.33



**Distribution of Shareholding as on 31<sup>st</sup> March, 2020**

DISTRIBUTION SCHEDULE AS ON 31.3.2020						
Share or Debenture holding (Rs.)		No. of holders	% of Total holders	Total Shares	Total Amount (Rs.)	% of Total Amount
10	5000	31645	90.5022	3336184	33361840	4.8203
5001	10000	1627	4.6530	1274324	12743240	1.8412
10001	20000	819	2.3422	1231597	12315970	1.7794
20001	30000	280	0.8007	707540	7075400	1.0223
30001	40000	116	0.3317	419113	4191130	0.6055
40001	50000	90	0.2573	420825	4208250	0.6080
50001	100000	188	0.5376	1374015	13740150	1.9852
100001	And Above	201	0.5748	60447002	604470020	87.3377
<b>Total</b>		<b>34966</b>	<b>100.0000</b>	<b>69210600</b>	<b>692106000</b>	<b>100.0000</b>



## RESULTS

### 1. DIVIDEND

In accordance with The Companies (Declaration and Payment of Dividend) Rules, 2014, your directors recommend a dividend of 60% (i.e. Rs. 6/- per share) for the year ended 31st March, 2020. The dividend, if approved by the shareholders at the Annual General Meeting, will be paid to the equity shareholders whose names appear in the Register of Members as on 18th September, 2020. The cash outgo on the proposed dividend will be Rs. 41.53 Crs.

### 2. TRANSFER TO RESERVES

The Company has transferred Rs. 75 crore to General Reserves out of the amount available for appropriation. Rs. 88.24 crore is proposed to be retained in the profit and loss account.

### 3. PERFORMANCE HIGHLIGHTS OF THE YEAR

#### Operations

1. The Company's turnover during the year 2019-20 is Rs. 3437.60 crore.
2. Profit before tax is Rs. 190.53 crore and Profit after tax Rs. 130.03 crore.

#### Printing and Writing Paper

3. During the year the Paper production was 3,92,250 MT.
4. Achieved Paper sales of 3,78,022 MT during the Fy 2019-20. Domestic Sales accounts for 81% and Exports at 19%.

#### Packaging Paper Board

5. The packaging paper board plant production was 1,72,776 MT during the financial year 2019-20, equivalent to 86% of capacity.
6. The packaging paper board sales during the year 2019-20 was 1,71,785 MT. Domestic Sales accounts for 97%.
7. 3,30,358 tonnes of Hardwood, chemical Bagasse Pulp and Deinked Pulp were produced during the year.
8. 7658 lakh units of power was generated of which 7242 lakh units of power was consumed and 553 lakh units exported to the State Power Grid. Power drawn from State Grid and consumed only 2.14% of total power consumed.
9. The bio-methanation plants have generated methane gas of 62.13 lakh m<sup>3</sup> during 2019-20. The methane gas was consumed in lime kiln and power boilers in replacement of furnace oil 3593.3 KL and imported coal 262 MT

10. The wind farms with an installed capacity of 35.5 MW capacity have generated 404.91 lakh Kwh units of 'Green Power' during the year.
11. The paper & pulp mill have implemented various water conservation projects and reduced the overall consumption of water to 35 KL/per ton of paper which is one of the lowest in paper industry.
12. TNPL is the First and only company in the Indian Paper Industry to have established a cement manufacturing factory to convert the mill wastes lime sludge and flyash into high grade cement as part of its solid waste management system. During the year, the Company has manufactured 2,52,303 MT of cement.
13. During the year 2019-20, overall borrowings increased by Rs. 218 crore.
14. Market Capitalization was Rs. 615.63 crore as on 31.03.2020.

## V. CONCLUSION

The overall results are satisfactory as the company had to contend with severe raw materials shortages, steep escalation in costs and reduced production level due to COVID 19 pandemic. The slowdown and softening of demand during the current year resulted in reduction in sales volume. However your Company in comparison with past years achieved better sales realisations as well as production levels and improved efficiency across all areas of operation.

Due to softening of demand for Printing & Writing Paper for major part of the year ended March 2020 and despite increase in input costs in procurement of bagasse and other raw materials, the Company has earned a PBT of Rs. 190.53 Crores. This performance in adverse environment is a commendable achievement by the Management.

## VI. REFERENCES

1. Albright S.C., Winston W.L., Zappe C., 2006. *Data Analysis and Decision Making, 3th edition, Thompson South-Western: Mason, USA.*
2. Campbell, J., J. Hilscher and J. Szilagyi, 2008. *In search of distress risk. J. Finan., 63(6): 2899-2939.*
3. Satyanarayana Chary and Sampath Kumar, (2011). *Relationship Between Working Capital And Profitability - A Statistical Approach, International Journal of Research in Finance & Marketing, 1(7), 1-16.*
4. Camelia Burja, (2011). *Factors Influencing the Companies' Profitability, Annales Universitatis Apulensis Series Oeconomica, 13(2), 215-224.*