

Edd ~~Lane~~ (1915) Department.

mis SERIES.

G.O. No. 1158 *Edd*

DATED 25-10-15

VP

VP

Paper Mill, Penalur : *Passing*
orders on the proposals submitted
by the Director of Industries for the
conduct of experiments in the
Penalur paper mills in
Trawancore -

CN 319088

C.F.-29.

DEPARTMENT.

2

Received



Registered 14-9-1915

Subject.

REQUESTING PERMISSION OF GOVERNMENT TO LEASE

THE PUNALUR PAPER MILL FOR ONE YEAR

AT A CHARGE OF RUPEE ONE HUNDRED
PER MENSEM.

ENCLOSURES
No. 2
Spare copies

No. E 9

Station, Dated the 11th September, 1915
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From (Name) K. T. B. Treseler, Esq.,
(Designation) Director of Industries.

To The Secretary to the Government of Madras,
EDUCATIONAL Department.

Sir,

I have the honour to state that about a year ago I entered into negotiations with the proprietor of the Punalur Paper Mills for the loan of their mill to enable me to carry out experiments in pulp manufacture.

2. It is scarcely necessary for me to explain how important an industry this may prove to South India. There can be no doubt that the forest resources of this Presidency could be utilised to a considerable extent for the manufacture of pulp. But whether pulp manufacture will prove remunerative depends on 4 things.

1. The cost of supply,
2. Supplies available,
3. The cost of manufacture,
4. The quality of the pulp made.

3. The extent of the supplies of raw material

is a matter for investigation by the forest department but the other three points must be determined by actual trial. Small scale experiments are useless and the only way to arrive at what I term the "fundamental data" of production is to manufacture commercial lots in a regular mill.

4. To construct a mill suitable for this kind of experiment would cost Government about a lakh of rupees and the opportunity of obtaining the use of a suitable mill for nothing, seemed to me too good to lose. I therefore discussed ways and means with the alleged owner and was about to take steps to start the mill again when another claimant to the property appeared. I accordingly told the owner that without a definite legal opinion establishing his rights of ownership I could not undertake ^{to run} the mill, as my so doing might involve Government in litigation.

5. I however agreed to lend the owner one of my supervisors (against payment) to help him to get the plant into order. For the last 6 months my supervisor had been cleaning up the plant. Now that it is in running order the owner has again approached me to start experiments at Government expense. I do not think that the cost of experiments should exceed 2000/- ~~lakh~~ rupees, but if they are successful I should probably for some time continue production on a semi-commercial scale so as to get back some part of the initial outlay.

6. As I have explained my object in conducting these experiments is to determine the "fundamental data" of production, and to ascertain exactly what difficulties, mechanical or otherwise

otherwise we are likely to encounter in the manufacture of pulp. The prospects of the Fungalur mill do not seem very promising, but I shall not confine myself ^{only} to the local product, but I shall also make experiments on samples of raw material obtained from British India, my ultimate idea being to establish a mill in Godavari if the data obtained from the Fungalur mill appear to make my scheme commercially feasible.

7. Unfortunately so long as the present owner has control of the plant it is more than doubtful if I shall be able to ^{run} my experiments. The owner's one idea is to make money and I have already perceived indications that what he would like to do is merely to get the department to put the mill into running order and then go and sell it to someone else. At present no work has been done in the mill and as the owner does ^{not} yet know how my experiments are likely to turn out he is quite willing to give me the lease ^{of the} ~~the~~ property for one year at a nominal rental of one rupee per mensem. He has already spent about Rs.5000/- in putting the mill into working order and at the present moment, the lease arrangement also appeals to him as it saves him further expenditure. But I am convinced that if I start working the mill at his expense he will want to take ^{it} over ~~the mill~~ as soon as I begin to get favourable results, and I shall then be unable to complete my experiments in the manner necessary in order to secure the information I want.

8. As the ownership of property ^{is} ~~is~~ in dispute, I thought it best before putting forward any proposals to consult the honourable the Advocate General on the matter and I enclose here ^{my} ~~his~~ opinion together with that of Dr. Krishna Pandali.

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9. From the Advocate General's letter it will be seen that there is no objection to my taking the mill on a lease except that it is outside British territory and that action has been threatened against the owner. If I enter into a lease agreement with the owner I understand that I should be outside the scope of any action taken against him. As regards the mill being outside India, I have already explained that my main object in taking it over is to acquire information for the purpose of subsequently developing the industry of British territory. This seems to me a sufficient reason for the lease.

10. I accordingly request the permission of Government to lease the mill for one year at a charge of rupee 1 per mensem. On receiving orders I will ask the Government solicitor to draw up an agreement.

I have the honour to be,

Sir,

Your most obedient servant,

J. M. G. G. G.
Director of Industries.

Enc. Opinion of M. P. Ramalingam

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O P I N I O N.

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DESPATCHED.
8-SEP-1915

Re Punalore Paper Mill and the letter from the Director of Industries dated 16th August 1915.

I understand that Srinivasa Raghava Aiyangar's only connection with the company is that he was to have the right to manage the Mill as Managing Director of the company for 10 years on his purchasing 150 shares of the company for Rs.15,000 and financing the company.

2. If this is so, the company having gone into liquidation Mr. Srinivasa Raghava Aiyangar's right to manage falls to the ground, and he is now merely a contributory in the liquidation.

3. In these circumstances his protest against the lease of the Mill to the Director of Industries is futile.

4. The title of Ramanathan Chettiar of Devakotta being derived from the Liquidator, acting under an order of Court, is on the face of it perfectly good.

5. I see no objection to the Director of Industries taking the Mill on lease from the Chettiar, except that the Mill is outside British India and that an action, however ill founded, has been threatened.
M a d r a s,

7th September 1915.

J. M. G. G. G.
Advocate-General.

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PUNALORE PAPER MILL.

OPINION.

OF

Dr. K. Krishnan Pandalai B.A., B.L., L.L.D. (London).

Barrister-at-law,

MADRAS.

V
b

MEENASHI PAPER MILL PUNALORE.

I am asked to give my opinion on the following points:-

1. Whether Mr. M.A.R.N. Ramanathan Chettiar of Devakota herein after referred to as Mr. Chettiar, has a good title to the above Mill, and whether he has a right to lease the Mill for one year to the Director of Industries, Madras.
2. Whether Mr. Srinivasa Raghava Iyengar, hereinafter referred to as Mr. Iyengar, has any right to object to the lease or to enter upon the Mill in case it should be leased. I have considered the papers submitted to me.

The material facts on which the answer to the 1st question depends are the following:-

The Mill was admittedly the property and in the possession of the "Laxmi Paper Mills Co., Limited," a limited company registered on 30th January 1909, under the Indian Company's Act of 1882, and having its head office at Ariakudi in Devakotta in the Ramnad Dt. The Mill which formed the principal asset of the Company is in the Native State of Travancore, where by regulation 1 of 1063 the Indian Company's Act of 1882 is in force.

The Company being in want of capital to carry on its business and being pressed by the creditors, decided by a special Resolution passed at a meeting held on 11th June '13 and duly confirmed at another meeting held on 5th July '13 both at the Head office of the Company, to go into voluntary winding up. One V.N. Kathirason Chettiar was appointed liquidator and authorised to sell the Mill and realise the other assets of the Company and pay off the creditors. The Mill had been purchased by the Company in 1909 for about Rs. 42,000/- and at the commencement of this winding up was subject to two mortgages for principal sums

aggregating

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aggregating to Rs. 37,000/-; one unsecured creditor had obtained a decree O.S.86 of 1086 in the District Court of Quilon in Travancore for about Rs.5,500/- for which the Mill had been attached and there was also another decree O.S.'605 of ~~ef~~ 1087 in the Munsif's Court *at* Kottarakara in Travancore for about Rs. 300/-. When a sale in execution of the first of the above decrees was imminent, the liquidator on 11th Meenam 1089 (24th March 1914) applied to the District Court of Quilon for a certificate under ^{Section} 302 of the Travancore Civil Procedure Code (Corresponding to Order 21 Rule 83 of the Indian Civil Procedure Code) empowering him to effect a private sale of the Mill to Mr. Chettiar for Rs. 62,000/- and to pay off the mortgages and to bring the balance of the purchase money into Court. The Court on 15-8-1089 (28th March 1914) granted the application. In pursuance to the above order, the liquidator on 5th June ¹⁹¹⁴ ~~1914~~ sold the Mill to Mr. Chettiar for Rs 62,000/-. Out of the consideration, Rs.55,500/- was paid in satisfaction of the two mortgages and the balance of Rs. 6,500/- was paid into Court. On the 1st July 1914 (17th ^{Meenam} 1089), the Court confirmed the sale and Mr. Chettiar got possession of the Mill and has been in possession ever since.

The material facts on which the answer to the 2nd of the above questions depends are the following:--

On the 19th March 1911, the firm of Mr. Iyengar, in which, he and Mr. Tyagaraja Kudaliar were partners, entered into an agreement with the secretary of the Company with its approval. The main provisions of this agreement were:--

1. Mr. Iyengar was to take up 150 shares of the Company worth Rs. 15,000/- and with the price pay off the debts of the Company according to a list to be supplied by the Secretary and utilise the balance as working capital.

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3.
2. Mr. Iyengar was to advance ^{by} way of loan to the Company all further sums required for working the Mill and take repayment with interest not exceeding 12% per annum. Mr. Iyengar was also to obtain by loans from others money to pay off the mortgage debt of Rs. 37,000/- at a cheaper rate of interest.

3. Mr. Iyengar was to have the right to manage the Mill as Managing Director for 10 years under various restrictions and regulations, which ^{it} is not necessary to set forth, as to keeping and submitting accounts, audits, furnishing statements, buying and selling stock, custody of the cash etc., and to receive one half of the commission due to the Secretary under para 68 of the articles of the association.

In pursuance to this agreement Mr. Iyengar did not at first pay the full price of the 150 shares and in consequence, disputes arose between the Secretary and him. The correspondence shows that by June 1911 Mr. Iyengar has paid in all only Rs. 5,000/- and had to borrow Rs. 10,000/- from third parties, to pay for his share. There were proposals between Mr. Iyengar and the Secretary to alter the agreement by adding new provisions but they came to nothing. For the purpose of this opinion, I assume, although it does not appear from the papers, that Mr. Iyengar paid up the price ^{of} the 150 shares and that he got the shares. But he ^{was} apparently unable to advance any money for working the Mill and never in fact worked or got possession of it though for a time, he appears to have assumed the name and style of Managing Director and in that character invited applications for shares. There upon on 21st September '11 and subsequent days, the Secretary published notices in the "Madras Mail" and other news-papers repudiating Mr. Iyengar's pretensions as Director, and warning the public that the ^{not} company would be bound by Mr. Iyengar's acts. Though Mr. Iyengar

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on 11th October 1911 sent to the Secretary, through a Vakill a notice claiming damages for alleged defamation, and the Secretary on 21st October 1911 replied through a Vakill denying any liability. Mr. Iyengar seems to have taken no further action for upwards of 4 years to vindicate any claim under the agreement.

As to Mr. Chettiar's title to the Mill, I think, ^{that} it is quite good and that as owner in possession he has every right to lease or otherwise to deal with his property. He is a bonafide purchaser for full value whose purchase was sanctioned and confirmed by the Court. The liquidator who sold, was fully competent under section 177 (G) and section 144 (C) of the Company's Act to sell. There is nothing to show that the winding up resolution was irregular or that the liquidator was not properly appointed. Upon the appointment of a liquidator, the power of Directors, even assuming that Mr. Iyengar was a Director, ceased, except (which does not appear) in so far as the Company sanctioned their continuance, section 177 (E).

As to Mr. ~~Iyengar~~ Iyengar's objection or his right to disturb Mr. Chettiar's or the Lessee's possession, I am of opinion that he has no valid right to do either. His rights under the agreement were to manage as Director ~~or~~ i.e. as an officer of the Company and to share the Secretary's commission. To get this, he had ~~but~~ to buy 150 shares and to advance working capital in order to work the Mill. He did not perform his portion of the contract and cannot claim under an agreement which he has broken. Besides, whatever his rights as a share-holder, if he is one, maybe, in the winding up he cannot claim to carry on business as the officer of a Company which ~~he~~ has gone into liquidation. Even treating the agreement as one to give a lease, the

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the agreement being unregistered is invalid and not having
been sued on ^{for} 3 years, its enforcement is now barred by time.
Even if, on the facts, any claim to damages could have been
sustained against the Company, such a claim is also now
barred by time and would not in any case affect Mr. Chetti-
ar or his Lessee.

Bar Library, }
Madras. }
6th August '15 }

(Sd) K. Pandalai

(True Copy)

EDUCATIONAL DEPARTMENT.

G.No.3190 Edl., from the Director of Industries, No.E.9, dated the 11th September 1915.

Subject.

PUNALUR PAPER MILLS.

Please see Mr. Tressler's letter dated the 26th November 1914, and its enclosure, and D.O. to Mr. Tressler No.3953-2 Edl., dated the 27th January 1915, in G.O. 120 Educational, dated the 8th February 1915. He now proposes to lease the Punalur Paper Mills for a period of one year at a nominal rent of Rs.1/- per mensem.

2. The first question for consideration is whether it is necessary to conduct experiments on paper manufacture and what should be the nature of those experiments. In his current letter Mr. Tressler states that the object of these experiments is to determine the "fundamental data" of production and to ascertain exactly what difficulties - mechanical or otherwise - are likely

pages 14 to 18 + 37 + 38
of G.O. 120 Edl. (X)
8.2.15

para 7. page 3 of G.O.

para 6. page 2 + 3 of G.O.

likely to be encountered in the manufacture of pulp. In his previous letter the anticipated result of the experiments was stated to be an experience of pulp manufacture, a trained staff and data of cost which would enable him to state with absolute certainty whether or not a large pulp factory would pay on the East and West Coasts. In this connection attention is invited to Sir Frederick Nicholson's D.O. No.29, dated the 16th December 1914. The conclusions pointed out by him therein are

(i) that the Presidency does and can produce abundant and cheap raw materials which might be used and developed for paper-making;

(ii) what was needed was an examination by paper experts with a view

(a) to ascertain the numerous and varied products practically available in esse or in posse for paper-making of various classes;

(b) to consider the best methods for their development for that purpose; and

(c) to establish such productive development and the local utilization of the developed products either in the making of paper or merely making half-stuff or pulp;

page 16 (para 10)
of Lys. No 720 (A)
8.2.15

pages 27 to 33 of do -

para 7, page 31 of do -

do

para 11, page 33
 gfo. 120
 8.2.15- (X)

para 11 — do —

NOTES.

Page 13

and (iii) that it should be first ascertained what were the causes of the failure of the Travancore (Punalur) Mills.

3. From the above it will be seen that the investigations which are likely to be conducted at Punalur would be ^{not only} of the nature of ascertaining the causes of failure of the original undertaking ^(but also of) a general examination of the question of what products are available for paper manufacture and what methods should be adopted for converting each of them into paper or paper pulp. If it is a question of the first alone, a year's lease of the mills may not be needed, nor even a lease of the mills at all. If it is a question of the latter, it may perhaps be surmised that the investigation would be a prolonged affair, and in this view alone would a lease for a year be justified.

4. As an essential preliminary to these investigations Sir Frederick Nicholson strongly advocated the employment of an expert. Mr. Tressler has none on his staff at present who would be called an "expert" in paper-making. The Supervisor who had

been employed for the past six months at the mills is evidently only a mechanic and it would be very undesirable that the experiments should be ^{solely} under his charge. In his former communication Mr. Tressler stated that technical control over the supervisor's work would be exercised by Dr. Marsden who was stated to possess a considerable knowledge of the industry. Dr. Marsden is now under transfer to Madras to conduct the Leather school in the absence of Mr. Guthrie. It is not known what substitute in the matter of supervision will be improvised by Mr. Tressler in the absence of Dr. Marsden. Even if Dr. Marsden or his substitute undertake the control of the experiments in the mills, it is not clear whether he will be able to conduct the other investigations that are necessary to carry out experiments on the lines laid down by Sir Frederick Nicholson. Further particulars in this respect may be called for from the Director.

5. As regards the lease, Mr. Tressler in para. 7 of his current letter gives reasons for proposing this ~~lease~~ form of transfer. With a view to secure

para 12, page 16 of
G.O. No. 120
8.2.15- (X)

para 3 of rep.

an undisturbed possession of the mills during the period of experiments it seems necessary to enter into a definite agreement with the owner in the matter. On the previous occasion also a period of one year was proposed by Mr. Tressler; but the exact duration can only be fixed after it is definitely ascertained what is the nature of the experiments that it is proposed to conduct in the mills and what expert supervision it is proposed to provide.

~~occasionally~~

6. It is not clear whether the conditions of transfer originally imposed by the owner of the mills in his letter to Mr. Tressler dated the 24th November 1914 would still be insisted upon. The owner, while allowing the Government possession of the mills for a period of one year or any portion of it, stipulated that in the latter case the whole of the Government staff employed in the mills should be left with him until the expiry of the period arranged (one year) and be paid for by Government and that he should be given the net profit in working the factory by the Government in the experimental stage. Definite information on this

page 17 + 18 of 6. 12. 8.2.15

point seems also necessary.

7. The legal opinion taken by Mr. Tressler points to the ~~fact~~ effect that there will be no objection to a lease by Government of the mills. The fact that the mills are situated in a Native State does not seem to make any material difference in the matter.

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15/9/05

Mr. Tressler's main object is to experiment in pulp-making. He would like also to make a few experiments with the paper machinery.

He proposes to try different kinds of barks and grass.

He has seen the statement of the pining managers. They disclose several factors each of which is sufficient to account for their failure.

Dr. Madden knows something about paper-making. He does not know how to handle the machinery. Mr. Fisher will also help.

Mr. Trask's policy is to try and find out for himself and not to get an expert.

He had better wish to do it to purchase a certain amount of material, experience, roughly \$2,000 worth.

He wants to pay for the material and lease the mill in order to prevent the Chetty from buying it as soon as manufacture begins.

He has not seen the Chetty's letter of 15th February, in which the latter offered to let the charges for raw material and labor.

He is prepared to try to come to terms on these basis i.e. that he runs the mills at the Chetty's expense on the understanding that he is allowed to make experiments but is not sure that the Chetty will agree.

He may be asked to make the best terms he can on the basis

15-5-15

A draft order is submitted for approval

OK 16.9.15. CR 16.9.15.

It is submitted that a copy of the letter was sent to the Director of the Institute with G. H. F. 15.2.15

SK 15.9

The above are notes of an interview with Mr. Tressler.

It seems best to keep clear of litigation in a native state even if we are fairly sure that the other side have no case.

A draft is submitted for approval.

JS

17.5.15

H.E. The Governor.

Draft Order approved: but the D.P.

to submit terms of arrangement

for final approval.



P.

18.10.15.

157 13 2 1915

C. No. 3190, From the D. J., No. 29, dated 11. 9. 1915.

No. 115-8-88, dated 25/10/1915

Tris

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page 1 of 2. $\frac{11-154}{13.2.15}$ (E)

CR 2 2/10/15

27/10/15

The terms of the award-
ment made should
be submitted to the approval
of Govt. 21.10.58

The D. I.

with copy of current
in 1954 (E)

The attention of the Directors of Endaotories is drawn to the letter from Mr. R. N. A. N. Ramanathan Chettiar dated the 5th February 1917 (Copy enclosed). ~~and the~~ ^{replied} ~~is~~ ^{is} ~~submitted~~ ^{submitted} to make the best he can on the lines ^{of his letter} ~~laid down~~ therein, that is, that he should ruin the mills at the expense of the proprietor on the understanding that he is allowed to carry on experiments which will

8th Feb 1917
16.9.15
26.9.15
all had been as usual
information
8.17.5.15

When given
When copied
When examined
When signed

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READ AGAIN G.O. No.
191

DATED

CURRENT No.

ENCLOSURES TO C. No.

ORDER OF GOVERNMENT

LETTER OF GOVERNMENT.

STATEMENT WITH DITTO.

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IN ORIGINAL.

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