

***Seshasayee Paper and
Boards Limited***

***Speech delivered by:
Sri N Gopalaratnam,
Chairman***



54th Annual General Meeting

July 25, 2014

Dear Shareholders,

I extend a warm welcome to all of you to this Fifty Fourth Annual General Meeting of the Company.

The Annual Report and Audited Accounts of the Company, for the year ended March 31, 2014, have been with you for some time and I would like to take them as read.

ECONOMY

Global

As I had mentioned during my last year's address to you, state of global economic prospects did improve, but it really picked up momentum only during the second half of 2013. This improvement in global activity and World Trade was mainly on account of recovery in the advanced economies. In Emerging Market economies, strong export demand was the main driver behind the enhanced activity while domestic demand generally remained subdued.

According to IMF Economic Outlook, global growth is projected to be slightly higher at around 3.7% in 2014, rising to 3.9% in 2015. Downward revision to growth forecasts in some economies highlight continued fragilities and downside risks. For many emerging and developing economies, stronger external demand from advanced economies will lift growth, though domestic weaknesses will remain a major concern.

Growth in US is expected to be 2.8% in 2014, up from 1.9% in 2013. The EURO area is turning the corner from recession to recovery. Growth is projected to strengthen to 1% in 2014 and 1.4% in 2015.

Overall, growth in emerging market and developing economies is expected to increase to 5.1% in 2014 and 5.4% in 2015. Growth in China rebounded strongly in the second half of 2013, due largely to an acceleration in investment.

Domestic

Growth in India picked up in 2013 after a favourable monsoon and higher export growth. Government's initial estimates peg the growth in GDP at 4.9% in fiscal year 2013. As per ADB estimates, GDP growth in 2014 can touch 5.5% and further improve to 6.0% in 2015. According to OECD, the economic outlook in Emerging Asia (South East Asia, China and India) will remain robust over the medium term, anchored by the steady rise in domestic demand.

'Economist', is of the view that there are signs that the worst is over. After slowing down to 4.5% in 2012-13, GDP growth in India picked up to average 4.7% in 2013-14. Expectations from the new Government are very high. The budget presented on July 10th, 2014 hailed as pragmatic by most, was short on details of plans to re-ignite the economy and on subsidy rationalisation.

STATUS OF PAPER INDUSTRY

Global

World consumption of paper and boards grew from 169 million tonnes in 1981 to 253 million tonnes in 1993 and 352 million tonnes in 2005. Current consumption is of the order of 400 million tonnes. As the U.S. economy slowly recovers, outlook for the Industry is improving. However, as consumer adoption of technology deepens, paper consumption will continue to decline (estimated at 5% annually). Despite this decline, pricing is likely to improve with Industry's efforts to rationalise capacity through restructuring and mergers and acquisitions. Moody's Investor Service, however, revised its outlook for the industry to 'stable' from 'positive'.

Domestic

India currently is the 11th largest producer of paper in the world with a production of 11.7 million tonnes and consumption of 13.0 million tonnes in 2012-13.

India Ratings has retained 'negative' outlook on the paper industry, but with a 'stable' bias for the current financial year, citing an expected moderation in supply side pressures and a gradual absorption of the over capacity created during the past few years. It expects the overall demand to grow 7 - 8 percent in FY 2015. The agency also expects minimal capacity addition over the next two-three years.

Poor availability and high price of wood continue to cause worries and severe strain on margins for the Industry's major players having integrated mill operations based on wood. Lack of adequate rainfall during the last 3 continuous years has brought down planting, and availability of sugarcane creating scarcity of Bagasse. The industry, therefore, faces uncertainties in the availability and price of two of its major raw materials.

PERFORMANCE REVIEW

Members will be glad to know that the Gross Turnover, including Other Operating Income, had crossed ₹ 1 000 crore mark and stood at ₹ 1 067 crores in 2013-14.

A detailed account of the Company's performance during the year under review is presented in the Directors' Report. Though the year commenced with a buoyant note, steep increase in prices of wood, bagasse, chemicals eclipsed the fortunes of the paper industry. The impact was to a certain extent neutralised by favourable market conditions in the initial months of the year. The market sentiments suffered a serious setback with FTAs coming into effect from January 01, 2014 which facilitated import of paper from ASEAN countries at nil rate of customs duty. Export market also witnessed downward trend in prices. The outlook for the current year appears 'weak'.

Production for the year was 1 78 272 tonnes, comprising 1 18 197 tonnes from Unit : Erode and 60 075 tonnes from Unit : Tirunelveli. Production could have been higher but for the severe restrictions on power availability imposed by the State Government.

At Unit : Erode, while the entire paper produced had been sold and zero stock was achieved at the end of the year, 502 tonnes of converted Note Books remained in stock for disposal during the ensuing school season. Unit : Tirunelveli achieved zero stock of finished goods as on March 31, 2014.

The profit before tax for the year was ₹ 4 124 lakhs, as compared to ₹ 1 647 lakhs, in the previous year. The overall Profit before Tax for the year registered appreciable increase, due to better market conditions during the first half of the year, improved operational performance of Unit : Tirunelveli, better control on costs, etc.

Due to substantial unabsorbed business loss and depreciation available on account of amalgamation, the Company was liable only to Minimum Alternate Tax (MAT) which is also eligible to be carried forward as MAT Credit Entitlement for set off in future. Hence, the Company was not liable for current tax. As per Accounting Standard (AS) 22 of The Companies (Accounting Standards) Rules, 2006, a sum of ₹ 1445 lakhs has been

transferred to Deferred Tax to the debit of Statement of Profit and Loss.

In the result, profit after tax for the year was ₹ 2 679 lakhs, as compared to ₹ 2 051 lakhs, in the previous year.

With a view to augment the availability of wood in the State of Tamil Nadu, the company has been actively engaging itself in Tree Farming activities by providing quality Clonal Seedlings of Eucalyptus as well as Casuarina Seedlings, at subsidised rates to interested farmers and assist them with technical help to achieve higher yields.

The Company is now engaged on an ambitious programme to become 'wood neutral' in its operations. The Company's annual consumption is nearly 5 lakh tonnes. To help in growing this quantity annually, within Tamil Nadu, the Company needs to help in planting 7500 hectares (18,750 acres) of land with pulp wood species, every year. This will ensure 'wood-neutral' status in 4-5 years' time.

The Company succeeded in planting 7 700 hectares of land in 2013-14, with planting of over 7 crores of seedlings of Eucalyptus and Casuarina. Current year's target is to repeat this performance and continue the same, year after year, though adverse weather conditions (lack of even minimum rainfall required to support planting) threaten to jeopardise our efforts.

CURRENT YEAR

Paper Market conditions had started deteriorating from the last quarter of FY 2013. The traditional high season for paper, did not materialise this year and steep fall in demand growth was felt by manufacturers, pan India.

Currently, the domestic market's 'weak' sentiments continue and hefty discounts are being offered by all manufacturers. Stocks have accumulated for the Mills at all stocking points. We are no exception.

Manufacturers are expecting that the stable Government at the Centre may take quick steps to kick start economy, which in turn will provide some fillip to the paper markets, since paper Industry's prospects are linked closely with the buoyancy in economy.

The Company has drawn-up Mill Development Plans to augment paper production in Tirunelveli Unit, as well as Erode Unit and to step-up pulp production in Erode Unit to support paper making operations in Tirunelveli Unit. Applications have been filed for Environmental Clearance and currently Environment Impact Assessment Studies are under-way.

COMPANIES ACT 2013

The new Companies Act, 2013 has since been notified and majority of the provisions have come into effect from April 01, 2014. The focus of major changes brought

about by the Companies Act, 2013 aims at improved 'Corporate Governance' as the yardstick of corporate functioning and fulcrum of democratic decision making.

While the underlying thrust of the new Company Law in structuring and strengthening the governance process is welcome, it has unnecessarily thrown up several areas of ambiguities and practical difficulties. There are several areas of clear and glaring inconsistency between the stance of MCA and SEBI, both governing listed companies. It is imperative that these get duly synchronised and synergised with due emphasis on clarity of purpose, ease of compliance and facilitation of business.

Industry Associations have submitted detailed memorandum on various issues confronting the business under the new Company Law. I am sure the Government would come forward soon to assuage these areas of concerns.

'E-VOTING'

With a view to enlist wider shareholder participation for informed decision making, the new Company Law mandates listed companies to offer electronic voting facility for all General Meetings. Following this, your Company has offered e-voting facility for this meeting that commenced on 19th July 2014 and closed on 21st July 2014. The Scrutiniser has since given his report on e-voting results and I would be sharing this with our Members at the conclusion of my speech.

DIRECTORATE

Sri Bimal Kumar Poddar retires by rotation at the conclusion of this Meeting and being eligible, seeks re-election at this Annual General Meeting.

Sri N Gopalaratnam has been appointed as Chairman with executive powers for a further term of three years with effect from April 01, 2014. He has shed his position as Managing Director. Sri K S Kasi Viswanathan and Sri V Pichai have been elevated as Managing Director and Deputy Managing Director & Secretary, respectively, with effect from April 01, 2014, for a further term of three years. Their appointment and remuneration package requires the approval of the Members of the Company in General Meeting. Accordingly, the same are placed before this Annual General Meeting for approval.

As per the provisions of the new Companies Act, 2013 the composition of Boards of companies should have minimum number of independent Directors, as may be prescribed. Independent Directors are appointed for a tenure of five years. They are eligible for one more term by passing Special Resolution. Currently, our Company's Board has three Independent Directors, viz., Sri R V Gupta, Sri V Sridar

and Dr S Narayan. The proposals for their appointment as Independent Directors are placed before this Annual General Meeting for approval.

ACKNOWLEDGEMENT

My whole-hearted thanks are due to all of you, the Shareholders of the Company for your enduring support to the Company.

I am thankful to my colleagues on the Board for their invaluable counsel and guidance.

Executives and employees of all ranks of the Company have put in creditable performance during the year that enabled us to record profitable financial results. My thanks are due to them.

My thanks are equally due to various departments of Central and State Governments, Banks, Customers, Indentors, Stockists, Overseas Agents, Suppliers and Service Providers for their continued cooperation.

I will be glad to furnish any clarification that the Members may require relating to Annual Report and Accounts.

Thank you Ladies and Gentlemen for your patient hearing.

(This does not purport to be a record of the proceedings of the Fifty Fourth Annual General Meeting)