

***Seshasayee Paper and
Boards Limited***

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



55th Annual General Meeting

August 1, 2015

Dear Shareholders,

I and my colleagues in the Board extend a warm welcome to all of you to this Fifty Fifth Annual General Meeting of the Company.

The Annual Report and Audited Accounts of the Company, for the year ended March 31, 2015 have been with you for some time and with your permission, I would like to take them as read.

ECONOMY

Global growth is projected to receive a boost from lower oil prices, but the boost is expected to be more than offset by negative facts, including investment weakness in many advanced and emerging market economies.

Slower growth in emerging markets and a gradual pick-up in advanced economies have been predicted for this year by IMF. Global growth is projected at 3.3% in 2015 and 3.8% in 2016. Oil price is forecast to stabilise at around US\$ 59 a barrel.

Moody's Investor Service had raised the outlook on India's credit rating to 'positive' from 'stable'. Indian economy witnessed a challenging year in 2014 – with only a marginal pick-up in economic growth.

The economy, though, is currently poised to return to its high-growth path, thanks to lower fiscal and current account deficits, falling inflation, benign commodity prices and structural reforms to boost investment.

STATUS OF PAPER INDUSTRY

Paper Industry occupies a prestigious position in the Manufacturing Sector on account of its significant contribution to the Society. Its role in promotion of literacy, propagation of information and knowledge, packaging and hygiene sectors of economy, is significant. It is a truly 'Sustainable Industry' with paper being a bio-degradable product which is recoverable, reusable and recyclable. Its raw materials – wood, bamboo, agro-residues are all from renewable sources.

This US\$ 500 Billion Industry is currently subdued, with declining demand in mature markets. Global size of paper market, is 400 million tonnes annually, of which printing and writing paper and newsprint account for 150 million tonnes, packaging grades 180/200 million tonnes and Tissue 30/40 million tonnes. Pulp production from both wood and non-wood fibres is estimated at 380/390 million tonnes. India, with

an annual consumption of 13 million tonnes of paper, newsprint and boards, occupies the 11th position amongst paper making countries. Future growth in paper consumption would come from the East, China and India will be the main contributors. Current status of the Industry, however, is devoid of any buoyancy. Indian market is hit by lack of sparkle in Indian Economy.

In addition, the Industry suffers from the following maladies :

- Mill delivered cost of domestic wood in India is currently around US\$ 175 per tonne, as against US \$ 100 per tonne in other Asian countries.
- Imports of paper and paper board, excluding newsprint, into India have been steadily increasing in the last four years at a CAGR of 21% in value term
- Under the Indian-ASEAN F.T.A., import duty on paper and paper board has come down to nil rate from January 2014. Consequently, paper and paper board imports from ASEAN have risen significantly.

With falling prices of paper and escalating costs of inputs, profitability of major paper companies has come down from

₹ 640 crores in 2010-11 to ₹ 3 crores in 2014-15. This is despite the increase in turnover from ₹ 9952 crores to ₹ 13 460 crores.

I do hope that the Union Government will accede to the Industry's request for imposing a non-vatable 10% Special Customs Duty on import of paper and paper boards. This will help in curtailing the unbridled imports of paper at attractive rates.

Performance Review

Director's Report and the accompanying Management Discussions and Analysis provide a detailed account of the operations of the Company.

Production, Sales, Turnover during the year under review were at the same level of 2013-14. Growth in all these areas of operations was 'flat'. The only consolation during the year was our achieving 'zero stock' in an year of extremely weak market conditions. PBIDT, during 2014-15 dropped significantly to ₹ 9513 lakhs (₹ 12892 lakhs in 2013-14) and PAT to ₹ 1735 lakhs (₹ 2679 lakhs in the previous year) - the steep fall was due to extremely unfavourable market conditions that prevailed during the year

when cost increases could not be passed on to the Market.

During the year, the Company won two prestigious National Awards for Energy Conservation.

Our Tree farming activities continued during the year with vigour and the Company could help farmers plant 7 crores of seedlings in 7639 hectares (19098 acres) of land, putting the Company closer to achieving 'wood-neutral' status.

MILL DEVELOPMENT / EXPANSION PLAN

The Company has since received the Environmental Clearance for the Tirunelveli Unit, for augmenting paper production by various de-bottlenecking measures and for significant up-gradation of quality as well as installing a Coal based 18 MW Captive Power Plant.

Erode Unit's Development plan, to augment pulp, paper and captive power production, is expected to receive the Environmental Clearance shortly. These projects are being undertaken in convenient phases and will be completed over the next three year period.

CURRENT YEAR

Paper market conditions have further deteriorated, during the current year, more so in Quarter - 2 and lack of demand growth has hit all major manufacturers in the country. Poor offtake and prices in overseas markets have further weakened the sentiments in domestic market. I do hope that buoyancy will set in the overall economy, before long, triggering the normal demand growth in the Paper Industry, lest the Indian Paper Industry turns "unsustainable".

COMPANIES ACT, 2013

The new Company Law, which came into force from 1st April 2014 has had its initial challenges and grey areas. The Government deserves appreciation for swiftly coming out with scores of circulars, clarifications and changes required to iron out problem areas.

Our Company has ensured due compliance with all the applicable provisions well in time. We have appointed requisite number of Independent Directors and Woman Director before the deadline. Statutory Auditor rotation is being taken care. Secretarial Audit has been done and we have obtained a clean report.

While all the Resolutions at the last Annual General Meeting were passed through e-voting, having due regard to the amended provisions of the Companies Act, 2013 and Clause 35B of the Listing Agreement, your Company has now offered three alternative options for Shareholders to vote on Resolutions proposed at this 55th Annual General Meeting, viz. (i) Remote e-voting (ii) postal ballot (iii) voting at the venue of the Annual General Meeting. While voting under the first two options has already been completed, I would request you to exercise your franchise, in case you have not done so earlier. I expect to announce the voting results during the day itself.

DIRECTORATE

Sri R V Gupta, Sri V Sridar, Dr S Narayan, Sri A L Somayaji and Dr Nanditha Krishna were appointed as Independent Directors at the last Annual General Meeting for a fixed tenure upto March 31, 2019. During the year, the Government of Tamilnadu withdrew the nomination of Sri Mohan Verghese Chunkath, IAS and in his place nominated Sri Hans Raj Verma, IAS who was appointed as an Additional Director by the Board.

He retires at this meeting and seeks election. Sri V Pichai retires by rotation and being eligible seeks re-election at this meeting. Sri S K Prabakar, IAS who vacated the office on April 01, 2015, has again been re-nominated to the Board of the Company by Tamilnadu Industrial Investment Corporation Limited (TIIC). I express my gratitude to Sri Mohan Verghese Chunkath, IAS for his constructive role during his tenure as Director of the Company.

ACKNOWLEDGEMENT

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

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

Executives and employees of all ranks of the Company have put in creditable performance during a difficult year. My thanks are due to them.

I am grateful to all our Customers, Indentors, Stockists, Overseas Agents, Suppliers and Service Providers for their whole-hearted support and cooperation.

My thanks are equally due to various Departments of Central and State Governments and Banks.

I now move for adoption of the Directors' Report and Annual Accounts. Before doing so, I will be glad to furnish any

clarification that the Members may require relating to the 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 Fifth Annual General Meeting)
