

***Seshasayee Paper and
Boards Limited***

*Speech delivered by
Sri N Gopalaratnam,
Chairman*



61st Annual General Meeting

July 24, 2021

CHAIRMAN's SPEECH

I once again extend a warm welcome to the Shareholders, Auditors, my colleagues on the Board and other stakeholders of the Company to this 61st Annual General Meeting.

Covid-19

When I addressed you last year in August 2020, we didn't know what course the pandemic would take. Barring March'21 and part of April'21, bearish market conditions prevailed in the domestic paper industry. The last few months have been especially difficult with the virus surging in many parts of our country and impacting severely the domestic demand for paper. We are now warned about the impending threat of third wave striking us.

We all should be grateful to all front line workers, doctors, government officials, non-profit organisations and various other institutions who have been courageously fighting this pandemic over the last 18 months.

The encouraging news is that we all have adapted ourselves to find newer ways to conduct business. With the massive vaccination drive adopted by the Central and State Govts, nearly 7% of our population has been fully vaccinated and another 24% partially.

The dictum however is "More Jobs - More Jobs".

For the economy to return to near normalcy with educational institutions fully functional and travel, tourism and hospitality sectors to resume, we may have to wait for some more time. Meantime, we have to take appropriate precautions in conducting our business as well as social responsibilities.

Combating Covid-19

We, in SPB, have been undertaking a lot of initiatives to combat Covid-19 pandemic, in our Plants as well as in our neighbourhood. Our Company undertook a series of initiatives throughout the year, to help our employees, their families and those living around our Units to combat Covid-19 pandemic.

The Company provided face masks, gloves and other protection materials free of cost to all employees and nearby residents. In line with the Guidelines of Govt. of Tamilnadu, Kabasura Kudineer (a herbal medicinal drink) is being distributed, to all our employees and residents regularly. Rice, grocery, cooking oil, etc. were distributed to those residing in containment areas and to immigrant workmen.

Disinfectant is being sprayed every day all over the Plant, Residential Colony and nearby Villages. The Company also assisted in installation of Key Medical Equipment, Oxygen Storage System, etc. in nearby Govt. Hospitals. The Company has contributed Rs.1.5 Crores so far to the Tamil Nadu Govt in support of their efforts to combat Covid-19 pandemic.

The Company is also actively engaged with various regional institutions, both public and private, in fighting the pandemic and providing help to the needy.

The Company will continue to focus on taking all required steps to ensure well-being of its employees and the neighbourhood residents, at large.

Economy

Prospects on the Global Economy front, are improving for the world. But it is likely to be uneven and dependent on the effectiveness of vaccination programmes and public health policies. South Korea and USA are reaching pre-pandemic per capita income levels after about 18 months. Much of Europe is expected to take nearly 3 years to recover. Indian Economy may also take similar timeline to get back to pre-pandemic levels.

Review of 2020-21

Now coming to the year under review, we had a challenging year, both from the perspectives of Operational performance and Financial Performance.

The Annual Report and Audited Accounts for the year under review, have been with you for some time now. I trust you would have reviewed the same by now and you are happy with the results posted by the Company, amidst a challenging social and economic background, both in India and globally.

The lockdown imposed in multiple phases to contain the spread of COVID-19 pandemic, had affected the normal functioning of commercial establishments, schools, colleges and educational institutions. Slowdown in the Indian economy, coupled with poor offtake in export markets due to the pandemic situation, had resulted in significant reduction in demand for Printing and Writing Paper, key segment in which the Company operates. Due to these factors, Company witnessed huge drop in Revenue and profits during the financial year ended March 31, 2021.

The Total Income for the year for FY 2020-21 was just above Rs 800 crores as against Rs 1207 crores in the previous year.

Profit after tax for the FY 2020-21 was Rs 100.0 crores as against Rs 170.0 crores in the previous year.

As updated in the last AGM, the Company had prepaid all its Term Loans to Banks and the Company achieved NIL Debt Status in December 2019. The Company continued to remain a Debt Free Company throughout the financial year 2020-21. The strong Cash Flows and the Balance Sheet of the Company has allowed the Board of Directors to recommend a Dividend of 125% on face value, to maintain almost the same Dividend Payout Ratio as the previous year.

I have requested Mr. Kasi Viswanathan, Managing Director to make a short, slide presentation to you on the Company's performance and Key highlights during the Financial Year 2020-21. He will do so after my address.

Current Year

Now coming to the current year...

A strong second wave of Covid-19 pandemic and consequent staggered lockdowns in place have affected and halted the demand up-tick that was witnessed in the last quarter of FY 2020-21. Order inflow has once again been impacted due to the consequences of 2nd wave, with schools and colleges continuing to remain closed and work-from-home trend continuing in offices. The unaudited financial results for the 1st quarter of this FY was approved and reported to Stock Exchanges yesterday.

The results briefly , are:

| | Units | Q1 21-22 | Q1 20-21 |
|-------------------------|--------------|-----------------|-----------------|
| Production | Tonnes | 35289 | 27001 |
| Revenue from Operations | Rs (Crores) | 217.99 | 139.16 |
| PBT | Rs (Crores) | 25.17 | 27.57 |
| PAT | Rs (Crores) | 18.56 | 17.86 |

The shareholders will note that the company is yet to return to pre-Covid levels of revenue and profits. The impact of Covid-19 pandemic on Paper Industry has been severe and the Company has not been spared by the impact.

However, the Company's presence in a number of export markets and our wide portfolio of products have partially helped the Company negate the impact of the weak domestic demand and order inflow. Outlook for 2nd quarter doesn't look promising with domestic demand yet to pick-up.

We expect a stronger Q3 and Q4 with a large set of our population getting vaccinated by then and general economic mood turning positive.

Demand is expected to pick up and grow by 11-15% year on year in fiscal 2022 with schools, colleges and office spaces are expected to open and drive the demand.

What is worrisome, however, is the run-away cost increases in host of import materials, like coal, imported pulp & wastepaper, chemicals and shipping freight rates.

Against this backdrop, the Company has taken a lot of strategic initiatives with focus to realign the Company's focus to emerging global and regional trends.

Some of the key initiatives are :

1. Increasing the product range with capabilities to manufacture single-layer and multi-layer boards.
2. Launch of slew of New Products in non-printing and writing segment, like Kraft Paper for bags, food packaging, and corrugation packaging boards
3. Upgradation of key equipment to improve the quality of paper and the efficiency of operations

The project Mill Development Plan – III (MDP-III), currently in progress in Unit : Erode, has been the key driver in accomplishing the above said strategic initiatives.

With our vast background of experience and a sound balance sheet, we are confident of weathering the present storm. We will continue to focus on repositioning our product mix to the extent feasible to include more industrial grades.

Amidst all this, Company will continue to pay special attention to our Rural development and social upliftment programs besides the sugarcane and tree farming initiatives and to the educational and health needs of the communities surrounding its production facilities.

Directorate

During the FY 2020-21, Tamilnadu Industrial Investment Corporation (TIIC) withdrew the nomination of Mrs. E Sundaravalli, IAS and in her place nominated Mrs. Sigy Thomas Vaidhyan, IAS (Managing Director, TIIC) as its Nominee Director on the Board of our Company. Mrs. Sigy Thomas Vaidhyan, IAS, was appointed as an Additional Director on the Board of the Company on November 7, 2020. She was later appointed by the Shareholders of the Company, vide Postal Ballot on December 22, 2020, as Nominee Director not liable to retire by rotation. Later in the month of June 2021, TIIC withdrew the nomination of Mrs. Sigy Thomas Vaidhyan, IAS and in her place, has nominated Mr.Hans Raj Verma, IAS (Managing Director, TIIC) as its Nominee Director on the Board of our Company.

Mr.Hans Raj Verma was appointed as an Additional Director on the Board of the Company. He retires at this Annual General Meeting under Section 161 of the Companies Act, 2013. He is proposed to be appointed as a Nominee Director of TIIC, not liable to retire by rotation, at this Annual General Meeting and the subject is included as item No. 4 of the Agenda of Notice of the Annual General Meeting.

Also, during the year, Tamilnadu Government withdrew the nomination of Mr.Deepak Srivatsava, IFS and in his place nominated Dr. Shekhar Kumar Niraj, IFS, the Special Secretary to Government, Environment and Forests Department, as its Nominee Director on the Board of our Company.

Your Directors place on record the valuable services rendered by Mrs. E Sundaravalli, IAS, Mrs.Sigy Thomas Vaidhyan, IAS and Mr.Deepak Srivatsava, IFS, during their tenure as Directors of the Company.

Auditors :

M/s Maharaj N R Suresh & Co LLP, and M/s R Subramanian and Company LLP, Chartered Accountants continue to be the Statutory Auditors of the Company.

Acknowledgement :

My whole-hearted thanks are due to all the Shareholders for their sustained support to the Company.

I am extremely grateful to my colleagues on the Board for their guidance, support and wise counsel which helped us to steer the Company safely during challenging times.

Executives and employees of all ranks of the Company have put in creditable performance which enabled the Company to turn-out impressive performance. My thanks are due to them.

My special word of thanks to the supporting Lift Irrigation Scheme farmers and the participating farmers in our Tree Farming program.

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

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

Thank you Ladies and Gentlemen for your patient hearing.

I will now request Mr. Kasi Viswanathan, Managing Director to make a short slide presentation on the performance review of the Year 2020-21.
