

***Seshasayee Paper and
Boards Limited***

*Speech delivered by
Sri N Gopalaratnam,
Chairman*



62nd Annual General Meeting

July 23, 2022

SPB Chairman's Speech on July 23, 2022

I once again extend a warm welcome to all the Shareholders, Auditors, my colleagues on the Board and other stakeholders of the Company to this 62nd Annual General Meeting.

I was keenly looking forward to the AGM being held in the hybrid mode which will facilitate warm face-to-face interaction with shareholders simultaneously providing an opportunity to reach out to shareholders, in far off destinations. This is not to be so. Re-emergence of Covid-19 variant has thwarted our plans and we are forced to meet only on video conference mode.

Be that as it may, let us make the best of this opportunity.

ECONOMY

Global Economy

Global outlook: following more than two years of pandemic, spillovers from the Russian Federation's invasion of Ukraine are set to sharply hasten the deceleration of global economic activity, which is now expected to slow to 2.9 percent in 2022. The war in Ukraine is leading to high commodity prices, adding to supply disruptions, increasing food insecurity and poverty, exacerbating inflation, contributing to tighter financial conditions, magnifying financial vulnerability, and heightening policy uncertainty.

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Growth in emerging market and developing economies (EMDEs) this year has been downgraded to 3.4 percent, as negative spillovers from the invasion of Ukraine more than offset any near-term boost to some commodity exporters from higher energy prices. Despite the negative shock to global activity in 2022, there is essentially no rebound projected next year: global growth is forecast to edge up only slightly to a still-subdued 3 percent in 2023, as many headwinds—in particular, high commodity prices and continued monetary tightening—are expected to persist. Moreover, the outlook is subject to various downside risks, including intensifying geopolitical tensions, growing stagflationary headwinds, rising financial instability, continuing supply strains, and worsening food insecurity.

Indian Economy

Amidst global economy's gloomy outlook, it is good comfort that our Indian economy shows great resilience and good promise. As per World Economic Outlook April '22, Indian GDP growth in FY 2023 would be the highest, notably above China. Indeed, India offers foreign investors the brightest bet till FY 2027 with its GDP growth projected to be markedly higher than every other country. The current decade doubtless belongs to India that is fast emerging as the fastest growing economy in the world with an average of 7-8% (in real terms) per annum.

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India has also successfully demonstrated to the world that its management of the economy under Covid adversity is the most adroit and altruist model. While several of the advanced economies loftily advocated loosening the purse strings to bolster demand, India consciously chose the conservative and cautious path. It hence endeavoured to address the supply side bottlenecks, besides free food supply for elongated period to those in lower strata suffering under job loss. India further won world acclaim for its fast-tracking the vaccine production from indigenous technology and vast coverage of its populace under State sponsored immunisation programme.

No doubt, India has no escape from the contagion of global inflation; nonetheless, it hasn't gone out of bounds. RBI expectedly tweaked the policy rates upwards in June '22 with prime focus on taming the inflation. With normal south-west monsoon outlook and improved agricultural prospects, rural consumption would benefit from higher income. Going forward, urban consumption should improve with a rebound in contact-intensive services. Investment activity would get supported by improving capacity utilization, Government capex boost and strengthening bank credit. Accounting for the negatives, RBI has retained the real GDP growth projection for 2022-23 at 7.2% that under extant environment is creditable.

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Year under Review (2021-22)

When I addressed you last year in July 2021, we were gradually coming out of Covid-19, but we still had our fears. Fear of Omicron later turned true. We, in the Paper Industry, had one more challenging year.

The year started on a positive note. Good Market conditions and demand helped the Paper Mills to announce price increases in April 2021. However this did not last long, due to the onset of Covid 2nd wave from May 2021 and the consequent closure of Schools and educational institutions. In May'21, paper mills withdrew the price increases announced in April'21.

Market conditions showed signs of improvement from August 2021 as the schools and colleges were reopened. Though the market was not buoyant, the fear of price increase in the subsequent months forced the customers to buy the material in advance.

Q3 witnessed unprecedented increase in the cost of all input materials. Coal Prices, in particular, had moved up to 300% of pre-covid level. Q3 also witnessed sluggishness in demand, particularly for Printing and Writing Paper, owing to various uncertainties in the market and fear of Omicron.

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By Q4, the market sentiments improved as the fear of Omicron started fading. The demand for Printing and Writing grades of paper started improving significantly especially from the educational sector, as the schools and colleges were reopened for conducting physical classes. This helped the Paper Mills to announce further round of price increases to pass the cost push on account of continued rise in the cost of most key input materials at least in part.

Shareholders are aware that over the last 3 years, 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. Upgradation of key equipment to improve the quality of paper and the efficiency of operations besides augmenting production capacity
3. Increasing the proportion of green power, by increased usage Bio-fuel in place of Coal.

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

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With our vast background of experience, we could achieve the above objectives despite the intervening Covid-19 lock downs on multiple occasions.

Gradually coming out of Covid-19 lockdowns and restrictions, the Company registered some key landmarks in FY 2021-22.

Highest ever annual production and sales at 2.12 lakh tonnes and 2.20 lakh tonnes respectively. Highest ever Total Income of Rs.1372 crores and highest ever annual exports at 57010 t representing over 25% of the volumes in the year.

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 Company had a one-time deferred tax provision reversal of Rs.36.4 crores in FY 2020-21, due to restatement of the liability to effective tax rate of 25.17%.

Hence the comparative Profit after tax stood at Rs 103 crores in the FY 2021-22 as against Rs 100 crores in the previous year.

The Company had prepaid all its Term Loans to Banks that it availed for Project MDP-III and had surrendered the unavailed portion of the Term Loan. The Company reports NIL Debt position, both on Term Loan and Working Capital Borrowings, as on March 31, 2022.

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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.

Mr. Kasi Viswanathan, Managing Director will make a short, slide presentation to you on the Company's performance and Key highlights during the Financial Year 2021-22, immediately after my address.

Indian Paper Industry - 2022 and beyond:

Paper consumption in India is likely to witness 6 to 7 per cent annual growth and will reach 30 million tonnes by FY 2026-27, largely driven by emphasis on education and literacy coupled with growth in organised retail trade, according to industry body IPMA. The paper Industry holds immense potential for growth in India as the per capita consumption globally is one of the lowest. Around 15 per cent of the world population lives in India but consumes only 5 per cent of the total paper produced in the world. Paper Industry in the country has undergone a transformation in the last few years. The industry has gone up the sustainability curve and has become far more technologically advanced. In the last five to seven years, an amount of over Rs 25,000 crores has been invested in new efficient capacities and induction of clean and green technologies.

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Paper Industry, over the next few years, is expected to be driven by following key trends :

- (i) Anti-plastic sentiments
- (ii) Higher Packaging Demand
- (iii) Recyclable products
- (iv) Hygiene Products and Food Packaging
- (v) Thermal Market Growth
- (vi) Industry 4 initiatives
- (vii) Digital Revolution
- (viii) Lightweight Packaging

Pulp and paper will continue to play a major role in the world. Despite the changes that have occurred because of technological advancements, this is an industry that has thrived and will continue to do so in future. In fact, the digital revolution of recent years has led to an expansion in the pulp and paper industry. As the world continues to evolve, so will the industry.

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Current Year

Now coming to the current year...

1st quarter of FY 2022-23, turned out to be positive with continued higher pent-up demand for printing and writing grade papers. Demand for Boards is expected to remain strong throughout the financial year. However, the global political situations, macro-economic indicators and global supply Chain constraints will have a strong bearing on the healthy order inflow, both from Domestic and Global Markets.

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	60581	52299
Revenue from operations	Rs (Crores)	430.84	217.99
PBT	Rs (Crores)	80.10	25.17
PAT	Rs (Crores)	59.66	18.56

Outlook for 2nd quarter is also positive.

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I am pleased to welcome Sri Ganesh Bhadti, who has been appointed by the Board as Director (Operations).

Mr. Ganesh Bhadti, is a seasoned Pulp and Paper professional with over 35 years of experience in various reputed paper companies of India. He had joined SPB as Vice President (Technical) 5 years ago and brings to bear considerable expertise in Pulp & paper manufacture including development of new products.

His appointment is before the Shareholders for approval at this meeting and has been tabled as Item 4 of the resolutions.

Directorate

During the FY 2021-22, Tamilnadu Industrial Investment Corporation (TIIC) withdrew the nomination of Mrs. Sigy Thomas Vaidhyan, IAS and in her place nominated Sri Hans Raj Verma, IAS (Chairman and Managing Director, TIIC) as its Nominee Director on the Board of our Company. Sri Hans Raj Verma, IAS, was appointed as an Additional Director on the Board of the Company on June 15, 2021. He was later appointed by the Shareholders of the Company in the AGM held on July 24, 2021, as Nominee Director not liable to retire by rotation..

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Also, during the year, Tamilnadu Government withdrew the nomination of Dr. Shekhar Kumar Niraj, IFS and in his place nominated Sri K Rajkumar, 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.Sigy Thomas Vaidhyan, IAS and Dr. Shekhar Kumar Niraj, 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 were the joint Statutory Auditors of the Company for FY 2021-22. The term of appointment of M/s R.Subramanian & Co LLP is ending today and the Board of Directors has approved continuation of M/s Maharaj N R Suresh & Co LLP as the sole statutory auditor of the Company for FY 2022-23. A proposal in this regard has been placed as Subject No . 5 of this AGM Notice.

Acknowledgement :

My whole-hearted thanks are due to all the Shareholders for their sustained support to the Company. Shareholders strength has now swelled to 19,000 +.

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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.

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