

***Seshasayee Paper and  
Boards Limited***

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



*63rd Annual General Meeting*

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*June 17, 2023*



I extend a warm welcome to all our Shareholders, , my colleagues on the Board, Auditors and other stakeholders of the Company to this 63<sup>rd</sup> Annual General Meeting.

I was keenly looking forward to meet our shareholders in-person for this AGM. Re-emergence of fear of the pandemic and requirement to adhere to Social Distancing Norms have thwarted our plans and we are compelled to meet only on video conference mode.

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

### **Global Scenario**

A tentative recovery from Covid-19 pandemic in 2021 was followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of 2022, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit the world economy, already weakened by:

- pandemic:
- higher-than-expected inflation worldwide, especially in the United States and major European economies, triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting COVID- 19 outbreaks and lockdowns;
- and further negative spillovers from the war in Ukraine.



**Global outlook:**

IMF, in April 2023, had projected Global growth forecast to fall from 3.4% in 2022 to 2.8% in 2023 before settling at 3.0% in 2024. Advanced economies are expected to see an especially pronounced growth slowdown from 2.70% in 2022 to 1.3% in 2023. Global inflation was forecast to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024.

On the surface, the global economy appears poised for a gradual recovery from the powerful blows of the pandemic and of Russia's war on Ukraine. China is rebounding strongly following the reopening of its economy. Supply-chain disruptions are unwinding, while the dislocations to energy and food markets caused by the war are receding. Simultaneously, the massive and synchronous tightening of monetary policy by most central banks should start to bear fruit, with inflation moving back toward its targets.

Notably, emerging market and developing economies are already powering ahead in many cases with better growth rates. The slowdown is concentrated in advanced economies, especially the euro area and the United Kingdom.



## **India Outlook**

CARE Ratings in their recent report, while commenting on IIP data for Apr'2023, had observed that IIP surprised on the upside with a 4.2% growth in April'2023 as against 1.8% in March'2023; Mining and manufacturing sectors recorded encouraging growth, while electricity output weighed; Weak external demand weighed on export-intensive sectors like textiles, apparel and leather items; Output of consumer durables contracted; consumer non-durables output grew by an upbeat 10.7%; Going ahead, a durable pick-up in domestic consumption-including rural consumption- remains critical for the growth in industrial output.

Also, the Reserve Bank of India has projected overall GDP growth in 2023-24 to 6.5%.

Considering the above, India is expected to maintain its strong GDP performance in FY 2023-24, when compared to advanced economies.

## **Indian Paper Industry**

Indian Paper Industry had bounced strongly in FY 2022-23 compared to previous 2 years of challenging financial years amidst the pandemic.

Demand for Paper, particularly in Printing and Writing segment, remained firm throughout the FY 2022-23. Demand for Boards, Packaging segment, which was firm in H-1 witnessed severe



demand pressures and realisation drops in H2. However, prices remained firm and continued to increase without any pressures in the printing and writing segment, in which our company largely operates.

The Key triggers for Price Increases implemented by the Paper Industry during the year were :

- Exorbitant increase in the prices of imported pulp and recovered paper.
- Continuous increase in the cost of wood.
- Significant increase in the cost of chemicals and
- Continued high levels of cost of imported coal.

Most of the major pulp and paper manufacturers in India, including our company, have registered record levels of operational and financial performance in FY 2022-23.

FY 2022-23 was definitely the best ever year for the Indian Paper Industry.

Having said that, the international market for Paper, which remained extremely buoyant until early 2022 had seen pricing pressures in the last 6 months, with significant reduction in Pulp and Paper prices.

This trend had resulted in substantial increase in Import of Paper into India, exerting pressure on domestic paper prices. Though there is demand for volumes that can be manufactured by the company, prices are expected to soften and record realisation



levels seen in Printing and Writing segment might no longer be sustained.

### **Year under Review**

Our company could register record performance in FY 2022-23 thanks to the favourable market conditions and the realisation of benefits from project MDP-III in Unit – Erode. In the 1<sup>st</sup> full year post project completion, the company had registered key landmarks in production, sales, income and profits, which are the highest in the annals of the company's history.

The Company's Profit after tax stood at Rs 386 crores in the FY 2022-23 as against Rs 103 crores in the previous 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.

The strong Cash Flows and the Balance Sheet of the Company has allowed the Board of Directors to recommend a Dividend of 300% on face value, the highest ever in the history of the company.

The Company continues to report NIL Debt position.

Mr. Kasi Viswanathan, Managing Director would be covering the details of FY 2022-23 performance with a detailed presentation, post my address.



Strategically, the Company took the right steps in going ahead with the implementation of Project MDP-III in Unit – Erode during the challenging year of Covid-19 pandemic and this has placed the company in right stead and the company could capitalise on the favourable market conditions with higher production and significant cost reduction thanks to full realisation of the benefits from Project MDP-III.

The Company had initiated steps on following strategic drivers and the company has seen significant progress in these strategic areas during the year under review :

1. Increased focus on Green Energy
2. Setting up newer plants & processes for reduction in emission, reduction in chemical consumption
3. Further Diversification of product portfolio with entry in to multi-layer boards segment, MF Kraft segments, etc.
4. Pursuit of Organic and Inorganic Growth opportunities to augment pulp and paper production

The success that the company had derived from these areas have given confidence to the management to pursue further growth opportunities.

FY 2022-23 also marked with the notable awards and recognitions being bestowed on the company:

- ☐ Indian Paper Manufacturers Association (IPMA) Paper Mill of the year award for FY 2019-20.



- ☐ IPMA Energy Conservation Award for FY 2021-22.
- ☐ Excellent Energy Efficient Unit award for FY 2021-22, by CII – won by the company for 5 consecutive years.
- ☐ National Energy Leader Award for FY 2021-22 by CII – won by the company for the 3<sup>rd</sup> time in a row.

### **Growth Plans:**

Recently, the Company has acquired the assets of Servalakshmi Paper Limited, situate close to our existing Tirunelveli unit, in an e-auction on a Going Concern basis and is awaiting closure of liquidation formalities to commence the repair, refurbishment and upgradation of the Plant and Machinery for manufacture of about 75000 tonnes per annum of Fine Papers.

In the meantime, the ex-promoters and a CoC member have filed appeals in the Hon'ble NCLAT against the orders of Hon'ble NCLT confirming the e-auction sale in favour of SPB. The Company will, of course, participate in the proceedings, take steps to have these appeals set aside..

With the successful completion of project MDP-III and with the acquisition of M/s. Servalakshmi Paper Limited, the company has identified the next round of strategic growth projects in further improving the sustainable competitive advantage by further augmentation of in-house pulp capacity.





The Board of Directors of the Company, in their meeting held on April 29, 2023, has accorded in-principle approval for the company to secure Environmental Clearances for project Mill Development Plan – IV (MDP – IV) in Company's manufacturing facility in Erode, to augment Paper Capacity from 1,65,000 tonnes p.a. to 2,31,000 tonnes p.a. and Pulp Capacity from 1,80,000 tonnes p.a. to 2,52,000 tonnes p.a.

Phase-I of MDP-IV will consist of activities for enhancing the pulp capacity to 2.52 lakh tonnes p.a. in Unit : Erode with a marginal increase in paper capacity. The enhanced pulping capacity will help the company in replacing costlier purchased pulp (imported pulp / deinked pulp) and reduce the overall cost of manufacturing per tonne of Paper in Unit : at Tirunelveli and the Servalakshmi Unit.

The company has filed the necessary applications with the Ministry of Environment and Forests for Climate Change for Environment Clearances.

Project MDP-IV – Phase - I is expected to be completed in 30 months after securing necessary Environmental Clearances.

**Indian Paper Industry - 2023 and beyond:**

As mentioned by me in my speech at the time of last AGM, Paper consumption in India is likely to witness 6 to 7 per cent annual growth and is expected 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.

However, Indian Paper Industry has been plagued for many years with challenges on 2 major accounts :

1. Raw Material (Wood) availability.
2. Increased import of Paper at NIL duties in to India.

India's Pulp & Paper Industry has agro forestry roots and strong backward linkages with the farming community, from whom wood, which is a key raw material, is sourced. Of the total demand for wood, over 90% is sourced from industry driven agro / farm forestry, rest from government and other sources. India's Paper Industry is wood-positive, that is, it plants more trees than it harvests.

In India an estimated 5 lakh farmers are engaged in growing plantations of Eucalyptus, Subabul, Casuarina, Acacia, Poplar, etc. About 1.25 lakh hectares are being brought under agro /



farm forestry on an annual basis, with around 12 lakh hectares on a cumulative basis across the country. This has generated significant employment opportunities for the local community, especially in the rural areas, apart from increasing the green cover in the country. However, lack of adequate land has been a major constraint in enhancing wood production by the Industry.

The Government should consider the long pending appeal by the Industry and making available some part of the country's degraded forest land, FDC (Forest Development Corporation) land and non-forest Government land available to the Paper Industry in the close proximity of the Mills for pulpwood (+ fuel wood/fodder) plantation under collaborative arrangement.

Our Company has, on its part, expanded its wood sourcing programmes with sourcing from nearby states, sourcing of newer varieties of wood, renewed focus on Tree Farming and Contract Farming initiatives.

The next major challenge is from Imported Paper.

Imports of paper and paperboard in India have jumped 47 % from ₹7,839 crore in FY22 to ₹11,513 crore in FY23, according to the latest data issued by the Directorate General of Commercial Intelligence & Statistics (DGCI&S).

Imports from China have increased a stupendous 112 %, and from ASEAN countries by 97 % during the year. While the growth in imports have been across all the paper grades, the



highest jump has been witnessed in the imports of uncoated writing and printing paper at 102 %, followed by coated paper and paperboard at 51 %, and tissue 41 %.

The duty-free import of Paper into India renders domestic paper non-competitive, thereby endangering the sustainability of the Indian Paper Industry.

Suitable safeguard, anti-dumping and countervailing duties on imports of various grades of paper should be expeditiously imposed.

Issue of quality control orders (QCOs) by the Government on all grades of paper and making BIS certification mandatory, like done for Copier grades earlier, will not only assure supply of quality products to the Indian consumers but also check the import of sub-standard products into the country.

Government is aware of the challenge from duty free Imports and have been vigorously holding discussions with Industry representatives to find suitable measure to mitigate the negative impact from imports.

Amidst these challenges, company has entered FY 2023-24 with a note of caution but is well prepared to pursue growth opportunities with focus on augmenting both in-house pulp and paper capacities.



**ESG:**

"The Company's ESG framework and the updates on the initiatives taken by the company on this front are given as Annexure-III to the Board's Report. Staying committed to the principles of Environmental and Social Governance, SPB always strives in the manufacture of paper in a CLEAN GREEN ENVIRONMENT. Our primary fibrous raw materials are obtained through sustainable models helping the local community. Our processes are ENERGY EFFICIENT and CLEAN. Major portion of our Energy requirements are addressed with GREEN sources. SPB is committed to be a truly sustainable and socially responsible business. The Company's ESG roadmap, Green initiatives and targets have been integrated with the Growth Strategy of the business."

**Directorate**

During the year, Tamilnadu Government withdrew the nomination of Sri.K.Rajkumar, IFS and in his place nominated, Sri Ritto Cyriac, IFS, the Special Secretary to Government, Environment and Forests Department, as its Nominee Director on the Board of our Company. Sri Ritto Cyriac, IFS, was appointed as an Additional Director on the Board of the Company on March 24, 2023. His appointment as a Nominee Director, liable to retire by rotation, has been approved and recommended by the Board of Directors and the same has been included as Special Business



in the Notice for 63rd AGM, for consideration and approval by the shareholders of the Company.

Your Directors place on record the valuable services rendered by Sri K Rajkumar, IFS during his tenure as Directors of the Company.

**Auditors :**

M/s Maharaj N R Suresh & Co LLP, Chartered Accountants were the Statutory Auditors of the Company for FY 2022-23. However, the 2nd 5 year tenure of M/s Maharaj N R Suresh & Co LLP gets over with the conclusion of this annual general meeting and the Board of Directors have approved and recommended appointment of M/s. Suri & Co as the statutory auditors of the Company for a period of 5 years from the conclusion of the 63rd AGM until the conclusion of the 68th AGM of the Company.

**Acknowledgement :**

My whole-hearted thanks are due to all our Shareholders for their sustained support to the Company. Shareholders strength has now swelled to 21,000 + .

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 Stakeholders, 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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