

***Seshasayee Paper and
Boards Limited***

*Speech delivered by
Sri N Gopalaratnam,
Chairman*



64th Annual General Meeting

June 01, 2024



CHAIRMAN SPEECH

I extend a warm welcome to all our shareholders, my colleagues on the Board, Auditors and other stakeholders of the Company to this 64th Annual General Meeting.

Over the last 4 years, AGM proceedings are being held thro' Video Conference. However, I look forward to the opportunity to meet you all in person, in the upcoming AGMs.

Let me start my speech with a small update on the Global Scenario.

Global Scenario

As per IMF's "World Economic Report", the global economy remains remarkably resilient, with growth holding steady as inflation returns to target. The journey has been eventful, starting with Supply-chain disruptions in the aftermath of the pandemic, Russia-Ukraine war that triggered a global energy and food crisis, Political strife and violent conflicts from Nigeria and Sudan to Gaza and Israel and a considerable surge in inflation, followed by a globally synchronized monetary policy tightening.

Despite many gloomy predictions, the world avoided a recession, the banking system proved largely resilient, and major emerging market economies did not suffer sudden stops. The performance of the United States Economy is impressive and has been a major driver of global growth. In the euro area, growth is expected to pick up this year, but from very low levels. China's economy is affected by the continued down- turn in its property sector.

The inflation surge—despite its severity and the associated cost-of-living crisis—did not trigger uncontrolled wage-price spirals. Instead, almost as quickly as global inflation went up, it has been coming down.



Global outlook:

IMF has predicted global growth for 2024 and 2025 to be 3.2 %, after recording just 2.3% at the end of 2022.

As per the survey published by World Economic Forum in January 2024, the following are identified as major risks in Global landscape for the year 2024 :

- Extreme Weather, AI-generated mis-information and disinformation, Societal and political polarisation, Cost-of-living crisis, Cyber-attacks, Economic downturn, Disrupted supply chain for critical goods and services and Escalation or outbreak of interstate armed conflicts.

India Outlook

India's Economic Growth has been resilient against Global headwinds for three fiscals now. Policy and regulatory support and prudence have helped, as has the gradual reinvigoration of the private sector.

As per CRISIL Report, India's GDP growth is expected to moderate to 6.8% after a better-than-expected 7.6% expansion for FY24.

Additionally, uneven economic growth of key trading partners of India, ongoing Red Sea Crisis and escalation of geopolitical uncertainties is expected to be a drag on exports.

The report further highlights that, an assessment of investment trends across 20 sectors that represent more than 70% of the total industrial investment in the country, indicates private CAPEX will rise to Rs 6.5 lakh crore annually on average between fiscals 2024 and 2028 from Rs 3.9 lakh crore in the preceding 5 years. With Rs 5-7 lakh crore incremental CAPEX, the emerging sectors (Electronics, EV, Energy transition intensive) will likely contribute 20% of the overall industrial investment over next 4 fiscals.



Indian Paper Industry

The paper industry's volume growth is expected to shrink to 2-5 % in FY2024 from about 7 % in FY2023, as per report by ICRA. As per that report, the industry revenues are projected to contract by about 7-10 % in FY2024 amid sharp fall in realisations, followed by a rebound in FY2025 with an estimated growth of ~6-9 %.

The market conditions were favourable and buoyant for most varieties / grades of Writing & Printing (W&P) during the entire FY 2022-23. However, effective May 2023, the Domestic Paper market had turned adversely due to :

- (i) Increased availability of Imported Paper from China, Indonesia and other Asian countries, at Cheaper Prices in the Indian market.
- (ii) The overall unfavourable global demand situation resulting in increased supply situation to the Indian Market, thereby resulting in Demand-Supply mismatch.

Both these factors contributed to significant reduction in the prices of Paper during the year. Price reduction were seen almost every month from May 2023. Domestic Paper mills had to drop prices in competition with imported paper to liquidate their production and inventory.

The International market for Paper, which remained extremely buoyant by end of calendar year 2022, had seen severe pricing pressures by the end of Q4 of previous year. This had continued into FY 2023-24 as well. The International market has not shown any signs of recovery till now. Demand remains flat although some short- term bumps are seen.



On the cost front, the Indian Paper Mills with integrated pulping operations, suffered significantly due to exorbitant increase in the cost of wood. The price of Wood continues to remain at these elevated levels, due to availability issues, with impact being more profoundly felt by the Paper Mills in the State of Tamilnadu.

Domestic market conditions are expected to remain challenging at-least until the first 2 quarters of the FY 2024-25 for Writing and Printing grades, as per the present market trends.

Year under Review

The Company had registered few landmarks during the FY 2023-24, in spite of challenging market conditions.

- 2nd highest annual production at 2.40 lakh tonnes.
- Highest ever Annual Production in Unit : Erode at 1.65 lakh tonnes.
- 2nd highest annual sales at 2.23 lakh tonnes
- 2nd Highest Total Income @ Rs. 1853 crores
- 2nd Highest PAT.

The Company's Profit after tax stood at Rs 259 crores in the FY 2023-24 as against Rs 386 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 Board of Directors have recommended a Dividend of 250% on face value, the 2nd highest ever in the history of the company.

The Company continues to report NIL Net Debt position.



Mr. Kasi Viswanathan, Managing Director would be covering the details of FY 2023-24 performance with a detailed presentation, after my address.

Growth Plans:

The Company has acquired the assets of Servalakshmi Paper Limited as a going concern, situate close to our existing Tirunelveli unit, in an e-auction sale approved by Hon'ble NCLT and has taken over possession of the assets and is currently contesting the appeals in Hon'ble NCLAT challenging the Honourable NCLT's order.

The repair, refurbishment and upgradation of the Plant and Machinery of this unit is estimated to take a year's time after disposal of appeals in Hon'ble NCLAT. This unit can manufacture about 75000 tonnes per annum of Fine Papers.

The Company is also currently taking steps to augment the pulp and paper production in Unit : Erode by 20% and is seeking the environment clearance for the same.

Indian Paper Industry - 2024 and beyond:

As mentioned by me in my speech at the time of last AGM, Paper consumption in India is likely to grow steadily, largely driven by emphasis on education and literacy coupled with growth in organised retail trade. 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 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 into 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, enhancing the areas under plantation and thro' Tree Farming and Contract Farming initiatives.



Also, you may have noted from our Corporate Video, in line with the company's vision to remain wood positive, over 115 crore seedlings were made available during the last 7 years at subsidised rates, for planting in over 1.3 lakh acres of land.

The next major challenge is from Imported Paper.

Imports of paper and paperboard in India, in volume terms have jumped from 11.45 lakh MT in 2021-22 to 14.36 lakh MT in 2022-23 to 19.29 lakh MT in 2023-24, according to the latest data issued by the Directorate General of Commercial Intelligence & Statistics (DGCI&S). This translates to an increase of over 68% in 2 years by volume terms.

Imports from China have increased a stupendous 181 % during the past 2 years, and from ASEAN countries by 247 % during the last 2 years.

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 of India 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 2024-25 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 and 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

The second term of Independent Directorship of Dr. S. Narayan, IAS (Retd) and Sri V. Sridar ended on 31st March, 2024. They have been in the Board of our Company from the year 2007 and 2009 respectively. Your Directors place on record the valuable services rendered by Dr.S.Narayan and Mr.V.Sridar and are in grateful appreciation of their outstanding contributions to the growth and governance of the company.

I take pleasure in welcoming Mr.S.Durgasankar and Mrs.S.Sheela Balakrishnan, IAS (Retd) as Independent Directors of the Company. Their appointments as Independent Directors were approved by the shareholders of the company, thro' Postal Ballot during the year.

Mr.Durgasankar is a Chartered Accountant and an Alumni of Harvard Business School (Advanced Management Program). He has experience of nearly 40 years as a senior finance professional and has handled a wide spectrum of roles like CFO, Group Financial Controller, Head of M&A,



Corporate Finance, Investor Relations & Secretarial functions in leading listed Companies.

He will chair our Audit Committee.

Smt. Sheela Balakrishnan, the 1976 batch Indian Administrative Service (IAS) officer, has held various positions like Director of Social Welfare, Commissioner of Industries and Commerce, Transport Secretary, Head of the Anna Institute of Management, Additional Chief Secretary (social welfare and nutritious meal programme), before she was elevated to the pivotal position of Chief Secretary for the Tamil Nadu Government during the period from 2013 to 2014. On retirement, she was made advisor to the Govt. of Tamil Nadu from 2014 to 2017. She comes with rich and varied administrative experience.

Mr. Mohan Verghese Chunkath completed his 1st 5 year term as Independent Director in March 2024 and his appointment as Independent Director for the 2nd term effective April 2024, was approved by the shareholders of the company, thro' Postal Ballot during the year.

Acknowledgement :

My whole-hearted thanks are due to all our Shareholders for their sustained support to the Company. Shareholders strength has now swelled to over **26,000** from about 12500 in 2019. We are pleased with the support that we receive from a large base of shareholders.

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. My thanks also 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.

June 01, 2024

(N GOPALARATNAM)

Chairman