

Sesbasayee Paper and Boards Limited

Speech delivered by:

Sri N Gopalaratnam,

Chairman and Managing Director



51st Annual General Meeting

July 23, 2011

Dear Shareholders,

My colleagues on the Board join me in extending a very warm welcome to all of you, to this Fifty First Annual General Meeting of the Company.

I greatly value the sustained support extended by each one of you to the Company. I take this opportunity to assure you that it will be our earnest endeavour to carry-forth the rich tradition of nurturing good relationships across the entire range of stakeholders and be worthy of your trust.

The Annual Report and Audited Accounts of the Company, for the year ended March 31, 2011, have been with you for some time and I would like to take them as read.

Shareholders will have the choice of getting the Annual Report and Audited Accounts of the Company in the electronic format from the coming year onwards.

ECONOMY

Global

The global economy is moving towards slightly lower growth and slightly higher 'inflation' trajectories. The economy, currently, is confronted with several growth-restraining factors, such as high oil prices, supply-chain after shocks from Japan's mid-March catastrophe, intensifying sovereign debt strains in Greece and other weak euro nations. These factors, combined, have

undermined the confidence and have dragged down the global growth. While many debts-related issues must be addressed before the global economy can move back to a higher and strong growth trajectory, there are a number of factors that will facilitate and sustain the growth in the global economy. They are, to cite a few : oil prices have been kept under check by intervention by Industrial Energy Agency; borrowing costs, globally, are likely to remain at low levels; withdrawal of fiscal stimulus is being done on a gradual and less growth-threatening timeline.

The global GDP is projected to grow by some 4.6% in 2011 and 4.8% in 2012. Following a 4.9% growth in 2010, this would mean three consecutive years of high trajectory growth. There is, however, the fear of more than desirable level of inflation paring the growth story.

Domestic

Indian economy made a strong comeback in 2010-11 with a GDP growth of 8.6%. This was made possible by the welcome rebound in Agricultural sector performance. India, thus, continues to outperform most emerging market economies and maintains its eminent position of being the second fastest growing economy after China.

While so, a mid 2011 review of the economy provides not so rosy picture. A discernable

downward trend is seen. While in Q-1 (2010-11), GDP grew by 9.3%, Q-4 (2010-11) growth came down sharply to 7.8%. Manufacturing and mining sectors have seen considerable erosion of growth momentum. Given this downward trend, GDP growth in 2011-12 is likely to be well below 8.0%

The inflation trend in the economy continues to be a cause for concern. Despite large scale tightening of the monetary policy rates by the RBI and other complimentary steps taken by the Government, inflation continues to remain close to the double digit mark.

Near-term outlook for inflation is not too encouraging. High oil prices, likely decontrol of diesel prices, high global food prices and hike in Minimum Support prices for the upcoming agricultural season will contribute to the upside risks to inflation control.

STATUS OF PAPER INDUSTRY

Global

The economic crisis that hit the World in the second half of 2008 had no doubt hit the global Pulp and Paper Industry. The forces that drive paper consumption, like publishing, advertising, media, etc., are in retreat and are eroding paper demands. Consequently, production, shipments, revenue of the paper industry are facing huge decline; the biggest has been in the coated mechanical grades, followed by coated / uncoated woodfree

sheets and uncoated mechanical grades. The industry is slowly coming out of the economic crisis and there are signs of optimism for various grades and regions.

Resource Information Systems Inc.'s (RISI) forecast shows significant rebound in 2010 and 2011. RISI also predicts no recession for the Pulp and Paper Industry, during the next 5 years, only a mid-cycle slowdown in 2013. Prospects are generally improving for the world pulp and paper industry.

Domestic

Fitch Ratings has projected a stable outlook for the Indian Paper Sector for the year 2011.

Indian Paper Sector is expected to benefit from recovery in macro economic factors, such as industrial output, an increase in corporate marketing spend and greater education and office activities.

Significant investments in capacity creation have taken place in the recent past in the Indian paper industry, especially in the printing and writing segment. This should lead to unabsorbed capacity in domestic market and consequent competitiveness in domestic prices. Margins will, therefore, be under pressure. Rising input costs, especially fuel and chemicals, will further accentuate this pressure. Profitability of this sector in the coming year will be under considerable strain.

PERFORMANCE REVIEW

The Directors' Report gives you a detailed account of Company's performance during the year under review (2010-11). Paper market conditions witnessed wild fluctuations during the year, which began on a strong note and maintained this position during the first half. Third quarter, brought with it weak market conditions - on account of new capacities getting into production line. Buoyancy started getting in during the fourth quarter, enabling the Company to achieve "ZERO STOCK" for a record 14th time in the last 17 years.

Production in the year was 1 20 558 tonnes - marginally higher than the previous year. The Company achieved a PBT of Rs 6077 lakhs and a PAT of Rs 6500 lakhs - thanks to the credit of Rs 423 lakhs from the Deferred Tax Account.

During the year, the Company made further progress in the marketing of "SUCCESS" Notebooks. This will be given a greater push during the current year.

CURRENT YEAR

While paper market witnessed improved conditions during April 2011, it had turned sluggish from May 2011 onwards, necessitating down revision of prices. The already competitive market has turned 'buyers market', with many new capacities that had entered the market during the year,

offering un-remunerative prices to get a toe-hold.

Export market, similarly, is weak currently. The sentiments are expected to improve during the third quarter. Margins, therefore, are under pressure and the year will be a year of challenges for the Paper Industry.

SUBBURAJ PAPERS LTD

The Company acquired 41.67% of the equity capital of Subburaj Paper Ltd - since renamed '**SPB Papers Limited**'. Our Group Company, viz., M/s Ponni Sugars (Erode) Ltd has acquired 33.33% of the equity capital SPB Papers Ltd. The balance 25% is under acquisition by our Associates. The unit is currently in operation, after setting right the river water pipeline and installing new Refiners for manufacture of quality printing and writing grades. Poor paper market conditions and shortage of skilled manpower in the post paper-machine operations of sheeting and finishing are challenges which are to be overcome.

DIRECTORATE

Sri R V Gupta, IAS (Retd), Sri Bimal Kumar Poddar and Dr S Narayan, IAS (Retd), retire by rotation at the conclusion of this Meeting and being eligible, seek re-election at this Meeting.

Sri K S Kasi Viswanathan and Sri V Pichai have been re-appointed as the Deputy Managing Director and Director (Finance) &

Secretary of the Company, respectively, with effect from April 2011, for a further term of three years. Their appointment and remuneration package requires the approval of the Members of the Company in General Meeting. Accordingly, the same are being placed before the Members at this Meeting for their approval.

The Tamilnadu Industrial Investment Corporation Limited (TIIC) withdrew the nomination of its Chairperson and Managing Director Tmt Sheela Rani Chunkath, IAS, and nominated its Principal Secretary / Chairman and Managing Director Dr T Prabhakara Rao, IAS, as its nominee on the Board of our Company.

During the year, Government of Tamilnadu also withdrew the nomination of Sri Debendranath Sarangi, IAS, and nominated Dr V Irai Anbu, Secretary to Government, Environment and Forests Department, as its nominee on the Board of our Company.

My colleagues on the Board and I are pleased to welcome Dr T Prabhakara Rao, IAS and Dr V Irai Anbu, IAS who have joined us as Directors on the Board of our Company.

I express my gratitude to Sri Debendranath Sarangi, IAS and Tmt Sheela Rani

Chunkath, IAS who played a very active and constructive role during their tenure as Directors.

ACKNOWLEDGEMENT

I wish to thank wholeheartedly the shareholders of the Company for their enduring confidence in the organisation.

I wish to place on record my great appreciation of the fine performance of our Executives and Employees of all ranks that enabled the Company to record improved financial results during the year.

I take this opportunity to thank my colleagues on the Board who have always evinced keen interest in the operations of the Company and for their invaluable counsel and guidance.

My thanks are equally due to the various Departments of Central and State Governments, Banks, Indentors, Stockists, Customers, Overseas Agents, and Suppliers for their sustained co-operation.

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 Annual Report and Accounts.

Thank you Ladies and Gentlemen for your forbearance.

*This does not purport to be a record of the proceedings
of the Fifty First Annual General Meeting*