INTERNATIONAL PAPER

International Paper APPM Ltd.

August 3, 2017

Department of Corporate Services
BSE Limited
14th Floor, P.J. Towers,
Dalal Street,
MUMBAI :: 400 001

Listing Department,
National Stock Exchange of India Ltd.
"Exchange Plaza",
Bandra-Kurla Complex,
Bandra (E), MUMBAI :: 400 051

BSE Scrip Code No.502330

(Symbol – IPAPPM; Series – EQ)

Dear Sirs,

Pursuant to Regulation 34 (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we send herewith a copy of Annual Report of the Company for the financial year ended March 31, 2017, as approved and adopted by the Members of the Company in the Annual General Meeting held on July 25, 2017.

Please acknowledge the receipt.

Thanking you,

Yours faithfully,
For INTERNATIONAL PAPER APPM LIMITED

C. Prabhakar

International Paper APPM Ltd. Hyderabad

C. PRABHAKAR
SR. VICE PRESIDENT (CORPORATE AFFAIRS) &
COMPANY SECRETARY

Encl: As above

53rd Annual Report 2017



INTERNATIONAL PAPER

INTERNATIONAL PAPER APPM LIMITED

Table of contents

1 Chairman’s Letter

4 Corporate Overview

5 Recognition

6 Sustaining Forests

8 Investing in people

10 Improving our planet

12 Innovative products

14 Inspired performance

16 Community Development

18 Board of Directors

19 Corporate Information

20 Board's Report

45 Management Discussion & Analysis

62 Report on Corporate Governance

73 Independent Auditor's Report

80 Balance Sheet

81 Statement of Profit and Loss

82 Cash Flow Statement

84 Notes forming part of the Financial Statements

111 Proxy form

113 Attendance Slip & Route Map

To our shareholders,

India and IP APPM have given me a warm welcome since moving here in April of 2017. Working on my 20th year with International Paper, I came to India with some previous experience with IP APPM since 2012. Former Chairman & Managing Director, Ram Swaminathan, and I had a good transition during April and on behalf of International Paper, I thank Ram for all that he has done for IP APPM and wish him well for his future. Moving forward, I believe that IP APPM is well positioned to continue improving performance and creating long term value for all our stakeholders.



Donald P. Devlin
Chairman & Managing Director

I want to share with you some key strategic principles and philosophies that we jointly share in IP.

The IP Way: doing the right things, in the right ways, for the right reasons, all of the time. For years, this statement held true for how we at International Paper got results by meeting our customer needs, improving our operational excellence and developing our people. ***The IP Way Forward*** is how we go beyond just doing the right things and defines how we will meet our commitments to our shareholders, customers, employees and communities. The IP Way Forward is our strategic framework for achieving our vision to be among the most successful, sustainable and responsible companies in the world. It includes sustaining forests, investing in people, improving the planet, creating innovative products and delivering inspired performance.



THE **IP** WAY
FORWARD

I'd like to introduce the IP Way Forward framework to our shareholders and describe how these principles are the basis for how we deliver value.

You will find more details and great examples of our strategic drivers in action in pages 6 to 15.



53.7
million saplings distributed in 2016-17

1.76
billion saplings planted (todate)

252,500
hectares of green cover created (todate)

123
million man-days employment created (todate)

Our business depends on the **sustainability of forests.** Our products require fiber and the sustainable use and re-growth of forests are vital to our Company's long term existence. IP APPM's farm forestry initiatives are contributing to the sustainable use and re-growth of forests by partnering with farmers to plant and cultivate healthy plantation forests. Over the past 25 years, we have planted more than 1.76 billion saplings and have added 252,500 hectares of land to productive plantation forest land. This strategy supports jobs, improves the environment and supports our long term need for sustainable fiber.

Investing in people is the foundation of our success. First and foremost, we must ensure the safety of employees, contractors and visitors. In 2016, we implemented the use of Safety Leading Indicators to focus on hazards and unsafe behaviors to reduce risks before they lead to an accident.

Excellent leadership is needed to engage and inspire employees to achieve their best. Highly engaged employees deliver the best results. We work to develop the capabilities of both our leaders and our employees. Highly engaged employees, with excellent leadership will result in a safer workplace, higher productivity and better financial results.

There is great need for support in the communities where we live and work. IP APPM employees have given their time, money and leadership to support education of poor children who are not in a position to pay the school fees and also to the students to pursue their higher education. We are committed to those who need help in the communities where we live and work and the areas where we can offer the most: education, water, nutrition and environment.

We are doing our part to **improve our planet**. Expectations for improving the environment are increasing by government, by customers, by ourselves and by our employees and communities where we operate. International Paper and IP APPM hold the environment as one of our key principles and values. Our farm forestry initiatives have increased the generation of sustainable forest plantations. Working forests are good for the environment. We produce much of our own energy from renewable carbon-neutral biomass. We will work to reduce our consumption of process materials and ensure the responsible use of water by our mills. We will comply with standards for stack emissions and clean air and we will optimize the environmentally friendly uses for our process solid waste from our mills.

Our customers need **innovative products** and excellent service to make their businesses successful. We make products that are relatively simple in today's high tech world of virtual reality and hand-held computers. But, our products are important for helping customers to meet their needs. We help people and businesses to communicate more effectively. Whether it's a commercial printer looking for exceptional image quality, an office client looking for a sharp lasting document or a publisher looking for high quality text books for students, all of them need our best and depend on our ability to meet or exceed their expectations. They need our innovative products to be successful.

Equally important is our ability to **deliver inspired performance**. Each element of the IP Way Forward provides a principled framework for IP APPM to deliver financial results that create long term value for the shareholder. We operate in a competitive domestic market and growing challenges from global producers, so making good decisions is important. We must allocate capital in an effective way including investment to maintain our operations, investment in profitable growth opportunities, maintaining an appropriate level of debt and rewarding shareholders by way of dividend, when appropriate.

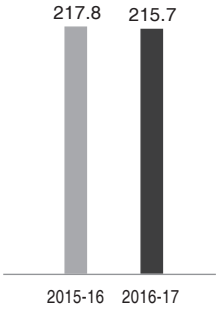
We have many stakeholders including shareholders, banks, customers, employees, governments and communities. We are committed to operating with the IP Way Forward principles as our strategic framework and believe that we will be successful in creating long term value for our stakeholders.

Sincerely,

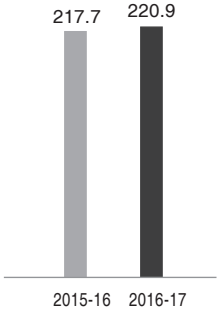


Donald P. Devlin
Chairman & Managing Director

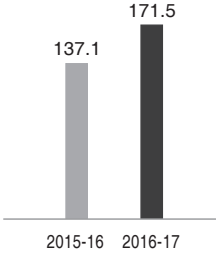
Paper production
'000 MT



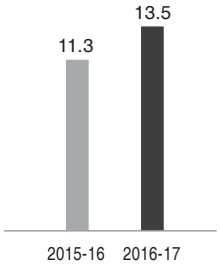
Sales volume
'000 MT



EBITDA
₹ Crore



EBITDA Margin
Per cent



Corporate Overview

International Paper APPM Limited is a group company of International Paper Company, USA, a world leader in the paper and pulp industry.

The fifty three year old Company is an integrated paper and pulp manufacturer with a total production capacity of 241,000 TPA. The Company produces a range of premium grade writing, printing, copier and industrial papers for domestic and export markets. Each of these products offer a differentiated proposition and is targeted to meet unique needs of discerning customers.

The Company employs 2,070 people. The manufacturing facilities comprise of two mills at Rajahmundry and Kadiyam, both located in the East Godavari District, and a conversion center at SN Palem in Krishna District, all located in the State of Andhra Pradesh.

It is our vision to become one of the most respected and successful companies in India - as measured by our employees, our customers, our communities and our share owners. To achieve this goal, the Company is focused on excellence on its five drivers – sustaining forests, investing in people, improving the planet, creating innovative products and delivering inspired performance, while maintaining high standards of integrity and safety in everything we do.

VISION

To be one of the most respected and successful companies in India.

MISSION

To improve the world, today and for generations to come, by using renewable resources to make products, people depend on every day.

VALUES

Leadership

We hold the highest ethical standards. We keep our commitments and we are accountable for all we do. We believe in diversity and inclusion, treating all people with dignity and respect and helping one another succeed.

Results

We are passionate about results. We set stretch objectives, we embrace change and we always consider what is best for the entire Company. We are engaged and aligned in our commitment to excellence for our customers and performance for our shareowners.

Responsibility

We are committed to sustaining our world. We place the highest priority on employee health and safety, and we ensure that every phase of our supply chain, from procurement to manufacturing, distribution, sales and recycling, is carried out in a safe and responsible manner.

Recognition



Aqua Excellence Award 2016

Honored by World Aqua Congress for Outstanding Contribution towards the cause of Sustainability - Private Sector.



Best Energy From Waste

Appreciation for usage of bark, sludge and biomass gasification, substituting coal consumption.





Special Export Award

Recognition for export performance from CAPEXIL.

International Paper APPM is improving in ways never seen before. The organizational goal is to improve profitability by managing the performance, building a stronger business and creating a distinct competitive advantage.

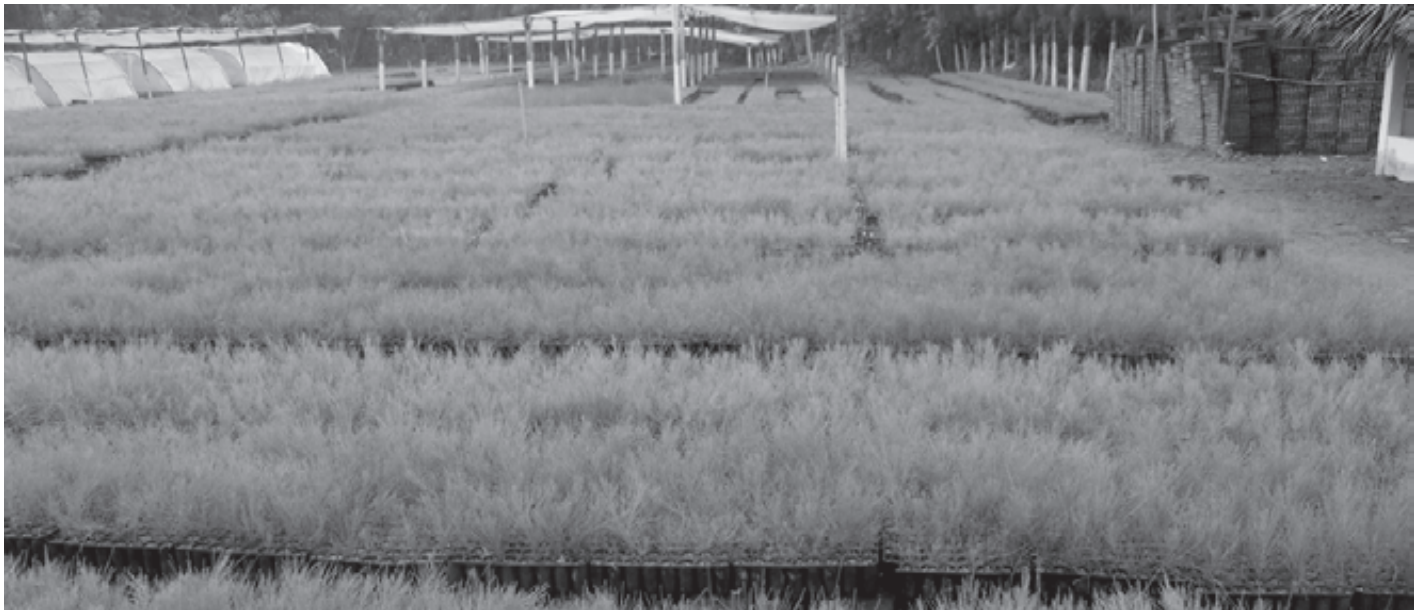
We are advancing our efforts by adopting the IP Way Forward as our strategic framework for achieving our vision to be among the most successful, sustainable and responsible company.

Sustaining Forests

For the past several years, our farm forestry program generates more wood on the earth than we consume; in fact, at more than double the rate of consumption. Our investment in restoration and responsible farm forest stewardship ensures a healthy and productive forest ecosystem.

We supported the farmers, during the year, by distributing 53.7 million quality saplings, covering approximately 7,500 hectares of land under plantation. Of these, around 50% have been planted within a 100 km radius of the Mill.





Todate, IP APPM has facilitated planting of over 1.76 billion saplings of subabul, casuarinas & eucalyptus, benefiting over 57,000 farmers and resulted in a green cover of 252,500 ha.

Presently, the focus species under the farm forestry programme is casuarina, one of the most economically beneficial crops, which helps bind atmospheric nitrogen, improves soil fertility of the farmer's field and grows on degraded lands. Casuarina plantation supports intercropping of vegetables, pulses etc and has made a significant difference to the lives of farmers.

We have started digitization of plantation data which is picking up pace. Presently, we have digitized around 800 hectares of plantation. This process creates an environment of intense interaction with the farming community and builds a robust relationship of trust and confidence between the Company and the farmers.

The Company has started a unique initiative through the digital system by launching www.rythukosam.com. The farmers now have a direct access to avail best practices and communicate with the Company. With **Krishak Honoured Smart Card** program, farmers also get direct market for sale of their ready pulpwood plantation to us and get better linkages and tracking.

During the year, FSC certified buying volume increased from 2% to 23% of total pulpwood purchases.

Increasing availability of pulp wood, strengthening relationship with farmers, better tracking of fields and proximity to the source of supply has added to our raw material security.

Investing in people

The financial year witnessed a great deal of ownership and involvement from our managers and the leadership team, focusing on talent development, succession planning and providing opportunities to the employees to learn and grow. All employees were encouraged to strive on their wellbeing and in raising their awareness level to lead a healthy life. We created 'wellbeing' as the theme for the year and used every opportunity to reinforce it, directly and indirectly.

We have set our people function and India People Priorities aligned with IP's HR Global Vision 2020. In the process, we have continued to create the right level of leadership, where every leader demonstrates the 3 C's - Character, Capability, and Catalyst - as a natural part of our leadership language, well integrated into our people development tools and systems.

Maximize Performance
Drive engagement and high performance at the organization, team and individual levels.

Talent Management
Recruit the best and manage a seamless Performance & Development Roadmap process to ensure IP has a global pool of ready-now talent.



HR Analytics
Generate data analytics and modeling to identify and resolve IP's key human capital gaps and opportunities.

Organizational Steward
Champion the IP Way and provide leadership in strengthening the organizational values of safety, ethics, integrity, trust and community.



The Leadership Model shows character at the base, emphasizing that character is the foundation on which all successful leadership is built. Leadership teams were encouraged to demonstrate role model safety, create the right environment, inspire execution in achieving results, raise the accountability in meeting commitments and have a deep sense of inquiry versus defensiveness.

We believe the most effective ideas - improving the productivity, making our facilities safer, enriching the environment and building a stronger partnership with our customers and communities - come from the talents and skills of our employees. People development at IP APPM is more than learning new skills, it calls for building on each other's strengths and fostering a relationship.

Relationship at IP APPM is being redefined into transitioning the IP Way, focusing on respect, dignity, transparency and welfare of workers and contractors as the core principle in nurturing employee relations.

We placed a renewed emphasis on safety in all areas of the Company, by raising awareness of safety as a core value and further reinforced every leader's responsibility for ensuring safety in the workplace. There's a top down commitment to, and accountability for, a companywide culture of safety.

We proactively expanded our focus to identify hazards and unsafe actions. The result was safety leading indicators such as TIR and LWIR were significantly improved over the previous year, by 53% and 81%, respectively.

IP APPM continued to be a positive force in the community. We stepped up our efforts in all our three signature people causes: Education, Engagement and Environment. In addition to our financial commitment, we mobilized our employees to volunteer their service to the local community. They logged over 2,500 hours of dedicated service.

Improving our planet

As part of our proactive approach to reducing the environmental footprint, we commit ourselves by making strategic investments to upgrade and enhance all pollution abatement systems. On a continual basis, we monitor and evaluate all applicable environmental regulations and key performance indicators for gap analysis, and corrective actions to ensure compliance.

We ensure that all environmental parameters are well within the prescribed norms and are in compliance. Sustained monitoring of effluent treatment plant performance has facilitated us to reuse, reduce and recycle sludge generation. New technologies were adopted for odour control to collect & treat foul streams. Investments in dust control systems have helped monitor hazardous waste, effluent quality and detoxification. The online effluent quality monitoring system authenticates our effective process control & compliance.

As part of our manufacturing excellence,

- Power consumption was reduced by 1.1% per ton of paper;
- Saved 175 kwh/Hr of power in ETP operations;
- Steam consumption lowered by 1.5 % per ton of paper;
- Close supervision kept on coal consumption; and,
- Reduced mill wastewater discharges.





At Unit:Kadiyam, reduction in fresh water consumption was 16% per ton of paper. In order to further explore opportunities for water conservation, we got a professional body to conduct a water audit at Unit:Rajahmundry.

70% of used water from mill operations is given back to nature, after treatment, for balancing the natural water table. The year also witnessed reduction in release of green house gas emissions by 1.4%.

As part of our community service, we supplied 79,117 M^3 per month of drinking water to neighbouring villages. Treated water of 11,552,150 US gallons per month was supplied for irrigation to nearby villages.

Every day, we have been ensuring that we make a positive impact on the environment.

79,117 M^3
drinking water supplied per month to neighbouring villages

11,552,150
US gallons of treated water supplied per month for irrigation to nearby villages



Innovative products

We continue to stay focused on delivering increased value to customers through improved products and services. IP APPM offers a wide range of superior quality writing and printing papers to meet customer's critical needs. These include strong brands with wide range of superior quality grade products that are custom engineered to suit specific and diverse range of applications.

New products were developed considering customer requirements as well as to take care of machine coverage while fulfilling market orders. We introduced value added products such as Truprint Ivory paper, Sketch Choice, Watermark Paper and Reflection 100, to meet a felt demand.

Our marketing team focused on targeting the right customers, understanding their needs and then find unique ways to serve them better. Taking a creative approach to solving customers' specific challenge, we built a co-operative relationship that resulted in business solutions, increased efficiencies and more productive dialogues. In redefining their approach, the team optimized its product mix and customers, and is finding ways to add value to their business.

We undertook various manufacturing excellence projects, involving cross functional teams, such as GSM rationalization, block scheduling and on-line order status visibility to further enhance customer satisfaction which has direct positive impact on their way of doing business. The customers now have access to operational information, to enable them to check order status, review and make inventory inquiries, all of which are current and available when they need it.

There is greater transparency in our way of doing business; ease of access and committed sales teams on the ground across markets; technically sound product management and marketing team to help add value to the customers' business and a dedicated supply chain process and procedures delivering best practices. In the process, we have raised the bar, reflected in the Company's On-Time-in-Full (OTIF) metrics, which improved from 81% to 88% by year end.

Our efforts have translated into a sound understanding of the customers and their needs. As a result, we have made it easy to do business with us.



Members of the India Lead Team at the launch of Reflection 100 GSM cut-size paper in early 2017.

This extension completes our cut size product line from 65 GSM to 100 GSM. Our three brands in India - Reflection, Hammermill and HP, provide world class print solutions to customers across all segments.

Inspired performance

We have been diligently striving to enhance our operational excellence by serving customers with attractive fiber based products with safe, efficient manufacturing operations. Our focus will continue to be effective execution and we shall enhance our business performance by strengthening our people to deliver superior results.

In 2016-17, we enhanced our capacity utilization and we shall continuously find ways to further ramp up volume. As part of our goal to raise our profitability and shareholder value, we are ensuring that each one of us follows the established best-in-class safety standards; improving productivity by decreasing the frequency and severity of lost time due to equipment outages or maintenance tasks; adding to our competitive edge by commitment to defined specifications and standards; and reducing the risk parameters by a systematic review of processes and controls.



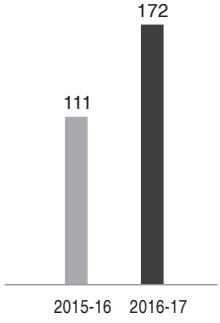


All of these will continue to translate into greater economies of scale and thus, earnings power. We shall make deliberate improvements to lower our cost of production, generate strong free cash flow, earn incremental return over cost of capital, maintain sound credit rating, improve the quality of our balance sheet and be the preferred partner for every one of our stakeholders.

"Our focus will continue to be effective execution and we shall enhance our business performance by strengthening our people to deliver superior results."

88 %
on-time-in-full performance

Cash Flow from operations
₹ Crore



Community Development

As a responsible company, we care for the well-being of our employees and our neighbouring communities. We believe in proactively playing a role to make a positive difference with the time and money we invest locally.

Our focus is on supporting initiatives involving **education, environment** and **engagement.** We have endeavoured to be a good neighbour and enhance community development. More important, our managers and employees voluntarily participate in the activities and as an organization, they are encouraged to help local causes.

As in earlier years, the Company's CSR initiatives included the following:

a. Facilitating spoken English classes for the students of government schools and APPM Model School in Rajahmundry;





b. Construction of compound wall in Girijan Vikas Kendram; toilets for girl students in municipal school in Veeravaram Village; teachers' training to government school teachers; painting of two government schools in Kadiyam and Veeravaram; and infrastructure support to Sangamitra Rehabilitation Centre engaged in teaching mentally challenged children;

c. Merit scholarship to the children of government schools, sponsoring of Bala Kalakaar - an art camp for the under privileged children;

d. Providing gym equipment to fitness centre and sewing machines to women's tailoring centre in Kadiyam;

e. Installation of three RO plants for providing safe drinking water in Mulagapudi, Theeda, Ammulapalem villages and two UV plants in two government schools in Rajahmundry;

f. Continued to provide water through tankers to the people in Katheru Village;

g. Supplied 79,117 M^3 per month of drinking water to neighbouring villages; and

h. Supplied treated water of 11,552,150 US gallons per month for irrigation purpose to nearby villages.





Board of Directors



Sitting (Left to right): Ms. Shiela P. Vinczeller, Mr. Praveen P. Kadle and Ms. Ranjana Kumar.
Standing (Left to right): Mr. Milind Sarwate, Mr. Rampraveen Swaminathan, Mr. W. Michael Amick Jr., Mr. Adhiraj Sarin, Mr. Donald P. Devlin, Mr. Thomas G. Kadien and Mr. M.S. Ramachandran.

India Lead Team



(Left to right) Mr. Mukund Menon (HR & Communications), Mr. Prabhakar Cherukumudi (Company Secretary & CSR), Ms. Karthika Kumaresan (Legal), Mr. Badrinath Chellappa (Chief Financial Officer), Mr. Donald P. Devlin (Chairman & Managing Director), Mr. Atanu Chakrabarti (Sales & Supply Chain), Mr. Sreenivas Pamidimukkala (Chief Information Officer), Ms. Lakshmi Prasad (Government Relations) and Mr. Sura Reddy Mallidi (Mill Manager).

Corporate Information

Registered Office

Rajahmundry - 533 105
East Godavari District
Andhra Pradesh, India
Phone: +91 883 247 1831 to 1834
Fax: + 91 883 246 1764

Corporate Office

Krishe Sapphire Building,
8th Floor, 1-89/3/B40 to 42/KS/801,
Hi-tech City Main Road,
Madhapur, Hyderabad - 500 081
Telangana, India
Phone: +91 40 3312 1000
Fax: +91 40 3312 1010

Website: www.ipappm.com

Works

Unit:RAJAHMUNDRY
Rajahmundry - 533 105
East Godavari District,
Andhra Pradesh, India
Phone: + 91 883 247 1831 to 1834
Fax: + 91 883 246 1764

Unit:KADIYAM
Industrial Area, M R Palem - 533 126
Kadiyam Mandalam,
East Godavari District,
Andhra Pradesh, India
Phone: +91 883 245 4651
Fax: +91 883 245 3538

CIN: L21010AP1964PLC001008

Auditors

Deloitte Haskins & Sells,
Chartered Accountants
Hyderabad

Cost Auditors

Narasimha Murthy & Co.,
Cost Accountants
Hyderabad

Secretarial Auditors

D. Hanumanta Raju & Co.,
Company Secretaries,
Hyderabad

Bankers

State Bank of India
Axis Bank
Citibank N.A.
Bank of America N.A.
BNP Paribas
JPMorgan Chase Bank N.A.

Board's Report

Dear Members,

The Board of Directors has pleasure in presenting the 53rd Annual Report of the Company and the Audited Accounts for the year ended March 31, 2017.

Performance of the Company

During the financial year 2016-17, the Company performed well with strong sales volume and price improvement as well as more consistent mill operations and lower costs for key raw materials. The Company continues to focus on important initiatives for improving employee safety and environmental compliance as well as improving the customer experience and operation efficiencies. These efforts helped the Company to make significant improvements in EBITDA and profit before exceptional items. The summary of financial performance for the year is encapsulated below:

In ₹ crore

Financial Results	March 31, 2017	March 31, 2016
Sales and other income (Net of excise duty)	**1214.20**	1166.27
Earnings before interest, depreciation and taxation (EBITDA)	**171.58**	137.13
Finance costs	**32.60**	40.30
Depreciation	**68.23**	73.17
Profit before exceptional items	**70.75**	23.66
Exceptional items	**(28.19)**	32.70
Profit before tax	**42.56**	56.36
Tax expense	**11.26**	19.47
Profit for the year	**31.30**	36.89

Sales and Marketing

The key demand drivers contributing to GDP growth in India are also driving consumption of paper products. The demand for printing and writing UFS (Uncoated Free Sheet) is driven by growth in consumption within many service sector businesses, education, manufacturing and government. The Company's commercial performance was strengthened with enhanced product offerings, expanded domestic distribution and a growing export supply position.

- Volume - 1.5% year-on-year growth;
- Domestic Market - expanded distribution in North, East and West regions;
- Launched new market-specific products to expand range of products offered;
- Export Market - grew HP brand cut-size by 9%, in Middle East and Africa.

The market for UFS was more balanced during 2016-17 as demand continued to grow and the industry experienced supply constraints. Imports from ASEAN Countries increased substantially during 2016 and this added supply has put pressure on the cut-size market.

In order to strengthen relationships with customers, the Company utilized the Paper Baron Program and Dealer Engagement Program to demonstrate the Company's commitment to quality, service and reliability as a supplier.

The Company continues to focus on delivering increased value to customers through improved products and services including the introduction of several new products to offer to customers a better range of options and to drive increased revenue for the Company.

For supply chain efficiency, the Company undertook various Manufacturing Excellence projects involving cross functional teams. The projects include Grams per Square Meter (GSM) Rationalization, Block Scheduling and On-line Order Status visibility. The success of the block scheduling project was reflected in Company's On-Time-in-Full (OTIF) metrics, which improved from 81% to 88% by year end. GSM rationalization helped the Company to improve the paper machine efficiencies.

Raw Material

The Company continued to execute its fiber strategy and has further strengthened the sustainable supply of fiber to its mills. By leading a collaborative approach with farmers and key stakeholders, the Company has continued on the path of long term sustainability. The farm forestry and procurement strategy has enabled the Company to effectively source 100% of its fiber requirement within a 300 kms radius of the mill. With better execution and increased availability, the Company has stabilized fiber cost in 2016-17. In addition, the Company continued to execute a focused fiber procurement strategy within 100 kms of the mill by empowering and partnering with farmers for long term association. During the planting year 2016, around 5 million high yielding Casuarina clones, along with 48.7 million Casuarina seedlings were planted. This covered ~7500 hectares of plantation with 50% within 100

km radius of the mill. The Company's sustainability drive resulted in around 3.75 million man-days employment generation. Research and Development taken up through collaborative project with Indian Paper Manufacturers Association (IPMA) and Institute of Forest Genetic & Tree Breeding (IFGTB), Coimbatore, is continuing and expected to be completed by 2018. Research and development on Eucalyptus started by partnering with IP Brazil in 2016 and for Casuarina with IFGTB is on ground with four multi-location provenance trial established till now at different parts of Andhra Pradesh.

Human Resource & People Development

The people strategy for the year had focus on creating a strong leadership talent pool for future growth, well-being of ageing workforce, industrial relations on IP principles and philosophy of being fair and transparent, and creating a collaborative and engaging culture in the organization.

The Company developed a strong leadership pool of mid and senior leadership as part of Company's succession plan who are available for cross functional and within function to take up responsibilities as it presents itself. In line with the employee well being, the Company organized annual health check for all its senior staff and introduced medical insurance policy that is common for all, irrespective of levels in the Company.

As part of transforming the culture and behavior in the industrial relations space, the Company had taken up several steps in educating and engaging with the workmen in a fair and transparent manner, at the same time not allowing the external forces to influence and disrupt the relations of workmen with the management. The Company ensures that all the employees are treated with same respect.

The development initiatives like diversity and inclusion, employee engagement, learning and development had significant impact on the Company during the year under review. The Company had taken various initiatives like hiring 40% women at the entry level in engineering and management segments, First Line Leader program entailing more than 8 months intense training to make them ready for future leadership assignments. The Manufacturing Excellence projects provided an opportunity for junior and midlevel employees to improve their skills in operational excellence, problem solving and process improvements.

IT Initiatives

IT Department continued its focus on enabling business processes and systems through strategic adoption of IT. These covered all the operating areas including manufacturing, sales and marketing, human resources and forestry. During the year under review, the Company implemented several IT systems and processes including redesigning the website, infrastructure upgrades, regional office migrations, enhancing mobile apps and existing applications to enable customers to view the Company's products. SAP application is being stabilized and it improved operational efficiency, cost reduction, improved controls in the areas of finance, costing, purchasing, manufacturing and project systems. The benefits derived from this project are simplified, standardized and streamlined business processes with greater integration across the enterprise. The Company is also focusing on innovation within IT to reduce the costs and introduce new tools.

CSR Initiatives

The Company had adopted CSR Policy which is placed on the Company's website: www.ipappm.com. The Members of Corporate Social Responsibility Committee as on March 31, 2017 comprised of:

a. Mr. M.S. Ramachandran (Independent Director) - Chairman

b. Ms. Ranjana Kumar (Independent Director) - Member

c. Mr. Rampraveen Swaminathan (Chairman & Managing Director) - Member

The focus areas of CSR Policy are education, environment and engagement. In view of past losses, the Company is not required to spend money on CSR activities as per Section 135 of the Companies Act, 2013. However, as a responsible corporate citizen, the Company incurred a sum of ₹62.08 lakhs (Including grant of ₹15 lakhs given to IP India Foundation, a Section 8 Company) for supporting various CSR initiatives in these focus areas. During the year, the Company's CSR initiatives included:

a. Facilitated spoken English classes for the students of Government Schools in Rajahmundry and APPM Model School;

b. Construction of compound Wall in Girijan Vikas Kendram, toilets for girl students in municipal school

in Veeravaram Village, teachers' training to Government School Teachers and painting of two government schools in Kadiyam and Veeravaram and infrastructure support to Sangamitra Rehabilitation Centre engaged in teaching mentally challenged children;

c. Merit scholarship to the children of government schools, sponsoring of Bala Kalakaar - an art camp for the under privileged children;

d. Providing gym equipment to fitness centre and sewing machines to women's tailoring centre in Kadiyam;

e. Installation of three RO plants for providing safe drinking water in Mulagapudi, Theeda, Ammulapalem villages and two UV plants in two government schools in Rajahmundry;

f. Continuing to provide water through tankers to the people in Katheru.

Awards

During the year under review, the Company received the following Awards:

- 'National Awards for Excellence in CSR & Sustainability' for Community Project of the Year wherein safe drinking water initiatives were undertaken in 5 different Mandals of East Godavari and Visakhapatnam districts;
- 'Aqua Excellence Award 2016' awarded by Aqua Foundation at the World Aqua Congress for 'Outstanding Contribution towards the cause of Sustainability - Private Sector ';
- 'Janmabhoomi Award' for work done in the adopted village of Kadiyam under Government of Andhra Pradesh - Smart Village Smart ward program;
- 'Social Innovation Award' presented by the World CSR Congress for Innovation Product or Services for implementing a successful model of cost effective spoken English course in government schools named Project New Horizons;
- 'World Water Leadership - Sustainable Initiatives' award for building a self-sustaining model of Safe Drinking Water plants as part of CSR initiatives;
- 'Best Energy From Waste' award for usage of bark, sludge and biomass gasification, substituting coal consumption in boiler;
- Europe Business Assembly's Prestigious International award in the management and business sphere;
- Special Export Award in recognition of export achievement for the year 2014-15 from CAPEXIL (sponsored by Ministry of Commerce & Industry, Government of India).

Related Party Transactions

All related party transactions that were entered into during the financial year under review were on arms-length basis and were also in the ordinary course of business. There are no materially significant related party transactions entered into by the Company with the promoters, directors, key managerial personnel which may have a potential conflict with the interests of the Company at large.

The Board of Directors approved a policy on related party transactions which is placed on the Company's website. The related party disclosures are given in Note No.27 to the financial statements.

Remuneration Policy

The Company has adopted the Nomination and Remuneration Committee Charter which includes the Company's policy on directors' appointment and remuneration including criteria for determining the qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) of the Companies Act, 2013.

Pursuant to Section 178(4) of the Companies Act, 2013, the Company also adopted remuneration policy relating to remuneration for the directors, key managerial personnel and senior executives in the rank of vice president and above. The remuneration policy is placed on Company's website.

Technology Absorption & Energy Conservation

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given in Annexure-1 attached which forms part of this Report.

Risk Management

The Company has a robust business risk management framework to identify and evaluate business risks and opportunities. This framework aims to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage. The key business risks identified by the Company and its mitigation plans are as under:

a. Fiber Procurement

The Company spends more than 25% of its total cost on procurement of fiber viz. casuarina, subabul, mixed hard wood, eucalyptus etc. Keeping in view the criticality of this factor, the Company has been expanding farm forestry program to secure fiber supply.

b. Competition Risk

The paper industry is becoming intensely competitive with the expansion of capacities by the existing players and lower import duties. To mitigate this risk, the Company is leveraging on its expertise and experience by enhancing its brand equity/visibility and product portfolio.

c. Occupational Health & Safety (OH&S)

Safety of employees is of paramount importance to the Company. In order to inculcate safety culture in the Company, it has identified Occupational Health& Safety as one of its focus areas. Various training programs have been conducted at the plants and other locations. Accountability has been strengthened by integrating OH&S objectives into job descriptions with the introduction of management personnel and safety professionals.

Directors

a. Meetings of the Board

The Company prepares Calendar of Meetings for each calendar year and circulates the same in advance to all the Directors. During the year under review, five Board meetings and four Audit Committee meetings were held. The details of the meetings held are given in the Corporate Governance Report forming part of Annual Report.

During the year under review:

a. Ms. Ann Wrobleski, non-executive director resigned from the Board effective December 31, 2016 and the Board placed on record its appreciation for the valuable advice and guidance received from Ms. Ann Wrobleski.

b. Mr. Rampraveen Swaminathan resigned as Chairman & Managing Director with effect from the close of office hours of April 27, 2017 and the Board placed on record its appreciation for his outstanding contribution in building a strong leadership team, and culture of meritocracy, integrity and fairness and turning around into a profitable company.

The Board of Directors at the Meeting held on January 18, 2017 appointed Mr. W. Michael Amick Jr. as Additional Director with effect from January 18, 2017. He will hold office up to the date of ensuing annual general meeting.

The Board of Directors at the Meeting held on February 22, 2017 appointed Mr. Donald P. Devlin as Additional Director effective February 22, 2017 and as Chairman & Managing Director with effect from April 28, 2017. The Company had received requisite notices under Section 160 of the Companies Act, 2013 proposing the candidature of Mr. W. Michael Amick Jr. and Mr. Donald P. Devlin.

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Ms. Shiela P. Vinczeller retires by rotation at the forthcoming Annual General Meeting and being eligible offers herself for reappointment.

b. Independent Directors

The Members at the 50th Annual General Meeting held on August 27, 2014 appointed the existing Independent Directors viz. Mr. Praveen P. Kadle, Mr. Adhiraj Sarin, Ms. Ranjana Kumar, Mr. Milind Sarwate and Mr. M.S. Ramachandran under the Companies Act, 2013 each for a term of five years up to March 31, 2019.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

c. Key Managerial Personnel

There is no change in the key managerial personnel during the year under review.

d. Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance, as well as the evaluation of the working of its Committees.

A separate exercise was carried out to evaluate the performance of individual directors including the Chairman & Managing Director who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interests of the Company and its minority shareholders etc. The outcome of Board evaluation for the financial year 2016-17 was discussed by the Board at the Meeting held on April 25, 2017.

e. Board Training and Induction

At the time of appointing a Director, a formal letter of appointment is given to him/her, which *inter alia* explains the role, function, duties and responsibilities expected of him/her as a Director of the Company. The Director is also explained in detail the compliances required from him/her under the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other relevant laws and regulations. Details of familiarization of directors are disclosed on the Company's website.

f. Audit Committee

The Audit Committee as on March 31, 2017 comprised of Mr. Praveen P. Kadle as Chairman and Messrs Milind Sarwate, Adhiraj Sarin, Thomas G. Kadien and Rampraveen Swaminathan as other Members. All the recommendations made by the Audit Committee were accepted by the Board.

Extract of Annual Return

The extract of Annual Return as on financial year ended March 31, 2017 as required under sub-section 3 of Section 92 of the Companies Act, 2013 in Form No. MGT 9 is attached as Annexure-2.

Particulars of Employees

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary at the Registered Office in this regard.

Vigil Mechanism

The Company has adopted Whistle Blower Policy to deal with instance of fraud or any unethical or improper practices. A copy of this policy is placed on the Company's website.

Internal Financial Controls

The Company established an internal financial control system commensurate with the size, scale and complexity of the operations. Internal audit function was jointly controlled by in-house department and by a professional firm of chartered accountants. The main function of Internal Audit is to monitor and evaluate adequacy of internal control system in the Company, its compliance with the operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners take corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions are reported to the Audit Committee.

Statutory Auditors audited the internal financial controls (IFC) over financial reporting of the Company as of March 31, 2017 in conjunction with audit of the financial statements of the Company for the year ended on that date. Unmodified opinion on IFC was given by them.

Statutory Auditors

The Members at the Annual General Meeting held on August 27, 2014 appointed Messrs Deloitte Haskins & Sells, Chartered Accountants, Hyderabad, as Auditors of the Company for a period of five years to hold office from the conclusion of 50th Annual General Meeting to the

conclusion of the fifth consecutive annual general meeting subject to ratification of the appointment by the Members at every subsequent annual general meetings. Messrs Deloitte Haskins & Sells, Chartered Accountants have confirmed their eligibility and willingness to accept office, if re-appointed by the Members at the 53rd Annual General Meeting of the Company.

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Messrs D. Hanumanta Raju & Co., a firm of Company Secretaries in Practice to undertake the secretarial audit of the Company. Secretarial Audit Report under Section 204(1) of the Companies Act, 2013 issued by Messrs D. Hanumanta Raju & Co., Practicing Company Secretaries in respect of financial year 2016-17 is attached as Annexure-3.

Cost Auditors

In terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit & Auditors) Rules, 2014, the Board at their meeting held on April 25, 2017 appointed Messrs Narasimha Murthy & Co., Cost Accountants as Cost Auditors of the Company at a remuneration of ₹7.50 lakhs (excluding applicable taxes) plus reimbursement of travelling and out of pocket expenses on the recommendation of Audit Committee for the financial year ending March 31, 2018 and their remuneration shall be ratified by the Members at the forthcoming Annual General Meeting.

Cost Accounting Records

Cost accounting records for the financial year under review were maintained as per the Companies (Cost Accounting Records) Rules. M/s. Narasimha Murthy & Co., Cost Accountants were appointed as Cost Auditors of the Company to audit the cost accounts for the financial year ended March 31, 2017. The Cost Audit Report for the financial year ended March 31, 2016 was filed with the Ministry of Corporate Affairs in August, 2016.

The Cost Audit Report for the year ended March 31, 2017 will be filed before end of September, 2017.

Public Deposits

The Company had discontinued its public deposit scheme in the financial year 2012-13. Despite efforts to identify and repay unclaimed deposit, the amount of public deposit matured and remaining unclaimed with the Company as on March 31, 2017 was ₹0.65 lakhs. The Company has not accepted or renewed any deposit during the year from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014. During the year under review, there was no unclaimed deposit amount which is required to be transferred to Investor Education and Protection Fund.

Particulars of loans, guarantees or investments

No loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 were given during the year under review.

Dividend

In view of accumulated losses, the Board of Directors decided not to recommend payment of dividend on the equity shares for the financial year under review.

Subsidiary Company

The Company made an investment of ₹5 lakhs by way of share capital in IP India Foundation, a Section 25 company under the Companies Act, 1956 wherein the excess of income over expenditure will be applied for promoting its objectives. Accordingly, the accounts of IP India Foundation are not consolidated since the holding Company will not derive any economic benefit from its investment in IP India Foundation. During the financial year ended March 31, 2017, the Foundation recorded surplus of ₹23.85 lakhs.

The Company undertakes that annual accounts of IP India Foundation and the related information will be made available to the members of holding company seeking such information at any point of time. The annual accounts of IP India Foundation are placed on the Company's website and are also available for inspection by any Member at the Registered Office of the Company during business hours on working days of the Company. Statement containing salient features of the financial statement of IP India Foundation for the financial year ended March 31, 2017 is attached as Annexure-4.

Directors' Responsibility Statement

The Board of Directors hereby confirms and declares that:

- in the preparation of final accounts for the year ended March 31, 2017 the applicable accounting standards had been followed along with proper explanation relating to material departures;

- they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the financial year ended March 31, 2017 and of the profit of the Company for the year;
- they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they had prepared the accounts for the year ended March 31, 2017 on a 'going concern' basis;
- they had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating efficiently;
- they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating efficiently.

General

- During the year under review, the Chairman & Managing Director of the Company has not received any remuneration or commission from the subsidiary company.
- There were no significant material orders passed by the regulators or courts which would impact the going concern status of the Company and its future operations.
- The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules there under for prevention and redressal of complaints of sexual harassment at workplace. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All women employees (permanent, contractual, temporary, trainees) are covered under this policy.

Acknowledgements

The Board of Directors wish to place on record their gratitude to the Central Government, Government of Andhra Pradesh, Government of Telangana, State Bank of India, Axis Bank Limited, Citibank N.A., BNP Paribas, JPMorgan Chase Bank N.A. and Bank of America N.A. for their continued support during the year.

The Board of Directors wish to convey their thanks to the valued customers and dealers for their continued patronage and place on record their appreciation of the contribution made by all the employees, during the year under review.

For and on behalf of the Board

Donald P. Devlin

Hyderabad
June 5, 2017

Donald P. Devlin
Chairman & Managing Director

Annexure-1

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO
[Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014]

A. Conservation of energy

i. The steps taken or impact on conservation of energy:
- Energy efficient lighting for energy conservation;
- Replacement of old insulation with new to reduce heat losses;
- Stopping unnecessary running of equipment & proper monitoring and interlocking to reduce power wastage;
- Bark firing in coal fired boiler for achieving potential coal savings.

ii. The steps taken by the Company for utilizing alternate sources of energy:
- Wood Bark usage in coal fired boiler as alternate fuel for achieving potential coal savings;
- Chip dust usage for generation of producer gas to save furnace oil in lime kilns;
- Black liquor firing in recovery boiler to steam and further generate power;
- ETP sludge, chip dust and Knotter firing in boiler.

iii. The Capital Investment on energy conservation equipment:
- Installation of bark feeding & bark firing systems to reduce coal consumption;
- Replacing old & high energy consuming pumps in ETP with high energy efficient pumps.

B. Technology absorption

i. Efforts made towards technology absorption:
- Reducing foul odor generation by upgrading LVHC system with technology from M/s.Lundberg, USA;
- KA#3 drive upgradation, technology from ABB, Singapore;
- Replacement of obsolete servers & upgrading controllers of DCS in Unit: Rajahmundry, Technology from ABB, Singapore.

ii. Benefits derived like product improvement, cost reduction, product development or import substitution:
- Replacement of perforated screen by slotted screens for improved machine efficiency & quality;
- Reduction of foul odor;
- Coal savings achieved by the usage of bark as a fuel in coal fired boiler.

iii. In case of imported technology (Imported during last three years reckoned from the beginning of the financial year)

1.	a.	Details of technology imported	Augmentation of existing diffused aeration system with the state of the art turbo blower of Godrej - Aerzen, Germany make. The specific power consumption of power was reduced from 28.29 W/M^3-hr to 19.24 W/M^3-hr. Also sustainable ETP performance was noticed in achieving COD < 100 & BOD < 15 as against PCB norms of COD < 250 & BOD < 30 respectively.
	b.	Year of import	2014
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
2.	a.	Details of technology imported	**Installation of Bellmer Press:** Sludge dewatering machine from M/s. Bellmer, Germany. Compliance with reference to hazard waste (M,H,T & M) rules. Scientific approach in management of ETP sludge disposal through burning in boiler and hence improved site compliance with respect to storage & handling of ETP sludge and no dependency on external agencies for its disposal.
	b.	Year of import	2014
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.

	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
3.	a.	Detail of technology imported	**New 5.75 MW generator** - replacement of old turbine generator for sustainable power resource, as it was observed that rotor's winding overhang binding insulation is deteriorating. The generator was supplied by TD Power Systems Limited, Bangalore and the technology imported from TDPS, Japan.
	b.	Year of import	2014
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
4.	a.	Details of technology imported	**Installation of ambient air quality monitoring system** as per APPCB Norms. The system was supplied by M/s. Thermo Fisher Scientific India Private Limited, Chennai and the technology was imported from M/s. Thermo Environmental Instruments Inc, Franklin, MA, USA.
	b.	Year of import	2014
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
5.	a.	Details of technology imported	As part of the replacement of center press roll for KA#3 Bi-Nip press in the existing worn out roll position, new roll was imported from M/s. MWN Maschinenfabrik, Germany with 'Pressrok Xtreme' covering for the bare roll and M/s. Stowe Woodward, Germany for covering to acheive superior sheet release properties, superior abrasion resistance, high temperature stability, good resistance against chemicals and agents, etc. for reliability.
	b.	Year of import	2014
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
6.	a.	Details of technology imported	**White Liquor Oxidation -** New WLO Plant of 120 Cu.m/ day capacity suitable for 720 TPD Unbleached pulp production is installed to maintain chemical balance in pulp & recovery plant, save cost by reducing caustic & fuel in lime kiln & avoid selling of excess white liquor. The technology was imported from M/s. Lundberg, USA.
	b.	Year of import	2015
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.

7.	a.	Technology imported	**Hard piping for foul odor control** - The foul condensate streams that are generated from fiberline & recovery Island, that emit odorous total reduced sulfur (TRS) compounds including hydrogen sulfide (H_2S). For efficient collection of foul condensate, a new Hard piping technology concept was adopted from M/s. Lundberg, USA.
	b.	Year of import	2015
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
8.	a.	Details of technology imported	**Online measurement of effluent properties** viz. TSS & pH using technology from HACH, USA.
	b.	Year of import	2015
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
9.	a.	Details of technology imported	**DCS upgradation of obsolete servers** - Upgradation of ABB DCS by replacing Windows Server 2003 with Windows XP with Windows Server 2012 and Windows 2008 Operating Systems with latest version 800xA 6.0 advanced controllers supplied by ABB Singapore.
	b.	Year of import	2016
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
10.	a.	Details of technology imported	**KA#3 drives upgradation** - Upgrading the existing obsolete & outdated DCV 700 Model DC drive system to new ACS 800 MODEL AC drive system on KA3 Machine by ABB, Singapore (Thru Benguluru).
	b.	Year of import	2016
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
11.	a.	Details of technology imported	**LVHC system upgradation** - (Foul odor control in RJY Unit) - System upgradation to effective collection of high concentrated foul gases from evaporator area and to burn in lime kilns to meet PCB norms of ambient air quality. To reduce effluent load from evaporator by reduction of methanol to 95% and H2S to 98% adopting technology from Lundberg, USA.
	b.	Year of import	2016
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.

	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.
12.	a.	Details of technology imported	QCS for RJ#6 - **replacement of obsolete QCS system** in RJ#6 for improving quality measurement from M/s. Honeywell, Singapore.
	b.	Year of import	2016
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable.

Research & Development (R&D)

a.	Specific areas in which R&D carried out by the Company	- New product development; - Product quality improvement; - Process optimization studies; - Identification of functional additives and plant trials for cost reduction/quality improvement; - Evaluation of new fibrous raw materials.
b.	Benefits derived as a result of the above R&D	- New products developed as per market demand; - Modification of products for customer satisfaction; - Identification of additives for quality; - Improvement & cost reduction; - Identification of alternate fibrous raw materials.
c.	Future plan of action	- New product development; - Evaluation of alternate fibrous raw materials; - Process optimization studies; - Identification of functional additives/chemicals for product development, process/quality; - Improvement and cost reduction.

C. Expenditure incurred on Research and Development

			In ₹ lakhs
a.	Capital	..	–
b.	Recurring	..	14.35
c.	Total	..	14.35

D. Foreign exchange earnings and outgo

a.	Foreign exchange earned	..	20,526.16
b.	Foreign exchange utilized	..	4,943.93

Annexure-2

EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and
Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

FORM No. MGT-9

I. Registration and other details

i.	CIN	L21010AP1964PLC001008
ii.	Registration Date	June 29, 1964
iii.	Name of the Company	International Paper APPM Limited
iv.	Category/sub-category of the Company	Category : Public Company Sub-category : Subsidiary of foreign company & having share capital.
v.	Address of the Registered Office and contact details	Rajahmundry - 533 105 East Godavari District, Andhra Pradesh, India Phone : +91 883 247 1831 to 1834 Fax : +91 883 246 1764 Email : prabhakar.cherukumudi@ipaper.com
vi.	Whether shares listed on recognized stock exchanges	Yes
vii.	Name, address and contact details of the Registrar and Transfer Agent, if any:	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, Telangana, India Phone : +91 40 6716 1500 Fax : +91 40 2342 0814 Email : einward.ris@karvy.com

II. Principal business activities of the Company (All the business activities contributing 10% or more of the total turnover of the company shall be stated)

S.No.	Name and description of main products/services	NIC Code of the product/service	% to total turnover of the Company
1.	Uncoated paper, paper & board pulp (Manufacture of paper)	1701	100

III. Particulars of holding, subsidiary and associated companies

S.No.	Name and address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	International Paper Investments (Luxembourg) S.a.r.l. 9, Rue Gabriel Lippmann, Munsbach L-5365, Luxembourg	Not applicable	Holding	54.96	2(46)
2.	IP International Holdings Inc. 6400 Poplar Avenue Memphis, TN, U.S.A. 38197	Not applicable	Holding	20.04	2(46)
3.	IP India Foundation Krishe Sapphire Building, 8th Floor, 1-89/3/B40 to 42/KS/801, Hi-tech City Main Road, Madhapur, Hyderabad - 500 081 Telangana, India	U80301TG2013NPL088489	Subsidiary	100.00	8

IV. Shareholding pattern (Equity share capital break–up as percentage of total equity)

i. Category–wise shareholding

Category of shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
A. Promoters									
1. Indian									
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Government	–	–	–	–	–	–	–	–	–
c. State Government(s)	–	–	–	–	–	–	–	–	–
d. Bodies Corporate	–	–	–	–	–	–	–	–	–
e. Banks/FI	–	–	–	–	–	–	–	–	–
f. Any other	–	–	–	–	–	–	–	–	–
Sub–total(A) (1)	–	–	–	–	–	–	–	–	–
2. Foreign									
a. NRIs –Individuals	–	–	–	–	–	–	–	–	–
b. Other – Individuals	–	–	–	–	–	–	–	–	–
c. Bodies Corporate	29,827,529	–	29,827,529	75.00	29,827,529	–	29,827,529	75.00	0.00
d. Banks/FI	–	–	–	–	–	–	–	–	–
e. Any Other	–	–	–	–	–	–	–	–	–
Sub–total (A)(2)	29,827,529	–	29,827,529	75.00	29,827,529	–	29,827,529	75.00	0.00
Total shareholding of promoter (A) = (A)(1)+(A)(2)	29,827,529	–	29,827,529	75.00	29,827,529	–	29,827,529	75.00	0.00
B. Public Shareholding									
1. Institutions									
a. Mutual Funds	–	200	200	–	15,000	200	15,200	0.04	0.04
b. Banks/FI	48,722	1,680	50,402	0.13	47,280	1,680	48,960	0.12	–0.01
c. Central Government	–	–	–	–	–	–	–	–	–
d. State Government(s)	–	–	–	–	–	–	–	–	–
e. Venture Capital Funds	–	–	–	–	–	–	–	–	–
f. Insurance Companies	1,109,103	200	1,109,303	2.79	1,069,021	200	1,069,221	2.69	–0.10
g. FIIs	346,867	–	346,867	0.87	147,715	0	147,715	0.37	–0.50
h. Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
i. Others– (specify)									
1. Foreign Banks	–	150	150	–	–	150	150	0.00	0.00
Sub–total (B)(1)	1,504,692	2,230	1,506,922	3.79	1,279,016	2,230	1,281,246	3.22	–0.57
2. Non–Institutions									
a. Bodies Corporate									
i. Indian	1,753,132	3,650	1,756,782	4.42	1,342,754	3,590	1,346,344	3.39	–1.03
ii. Overseas	–	–	–	–	–	–	–	–	–
b. Individuals									
i. Individual shareholders holding nominal share capital up to ₹1 lakh	3,118,811	325,488	3,444,299	8.66	2,624,075	318,064	2,942,139	7.40	–1.26
ii. Individual shareholders holding nominal share capital in excess of ₹1 lakh	2,664,218	10,365	2,674,583	6.73	4,124,946	10,365	4,135,311	10.40	3.67
c. Others specify:									
i. Non Resident Indians	387,799	221	388,020	0.98	83,505	221	83,726	0.21	–0.77
ii. Clearing Members	64,214	–	64,214	0.16	12,844	–	12,844	0.03	–0.13
iii. Trusts	17,933	–	17,933	0.04	17,933	–	17,933	0.04	0.00
iv. Foreign Nationals	14,000	–	14,000	0.03	–	–	–	0.00	–0.03
v. NBFC	75,636	–	75,636	0.19	122,846	–	122,846	0.31	0.12
vi. Unclaimed Suspense Account	121	–	121	0.00	121	–	121	0.00	0.00
Sub–total (B)(2)	8,095,864	339,724	8,435,588	21.21	8,329,024	332,240	8,661,264	21.78	0.57
Total Public Shareholding									
(B) = (B)(1) + (B)(2)	9,600,556	341,954	9,942,510	25.00	9,608,040	334,470	9,942,510	25.00	0.00
C. Shares held by Custodian for GDRs & ADRs	–	–	–	–	–	–	–	–	–
Grand Total (A+B+C)	39,428,085	341,954	39,770,039	100.00	39,435,569	334,470	39,770,039	100.00	–

ii. Shareholding of promoter

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares	
1.	IP Holding Asia Singapore Pte. Limited	29,827,529	75.00	–	–	–	–	100
2.	International Paper Investments (Luxembourg) S.a.r.l.	–	–	–	21,856,033	54.96	–	100
3.	IP International Holdings Inc.	–	–	–	7,971,496	20.04	–	100
	Total	**29,827,529**	**75.00**		**29,827,529**	**75.00**	**–**	**–**

iii. Change in promoters' shareholding

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year (April 1, 2016)		Increase/decrease in shareholding			Cumulative shareholding during the year (April 1, 2016 to March 31, 2017)	
		No. of shares	% of total shares of the Company	Date	No. of shares	Reason	No. of shares	% of total shares of the Company
1.	IP Holding Asia Singapore Pte. Limited	29,827,529	75.00	April 1, 2016			29,827,529	75.00
				June 22, 2016	-29,827,529	Transfer	–	–
				March 31, 2017	–	–	–	–
2.	International Paper Investments (Luxembourg) S.a.r.l.	–	–	April 1, 2016	–	–	–	–
				June 22, 2016	21,856,033	Transfer	21,856,033	54.96
				March 31, 2017			21,856,033	54.96
3.	IP International Holdings Inc.	–	–	April 1, 2016	–	–	–	–
				June 22, 2016	7,971,496	Transfer	7,971,496	20.04
				March 31, 2017			7,971,496	20.04

iv. Shareholding pattern of top ten shareholders (other than directors, promoters and holders of GDRs and ADRs)

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year (April 1, 2016)		Increase/decrease in shareholding			Cumulative shareholding during the year (April 1, 2016 to March 31, 2017)	
		No. of shares	% of total shares of the Company	Date	No. of shares	Reason	No. of shares	% of total shares of the Company
1.	The Oriental Insurance Company Limited DPID: IN300812, Client ID: 10000560	684,706	1.72	April 1, 2016			684,706	1.72
				March 31, 2017			684,706	1.72

(Contd.)

Shareholding pattern of top ten shareholders (Contd.)

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year (April 1, 2016)		Increase/decrease in shareholding			Cumulative shareholding during the year (April 1, 2016 to March 31, 2017)	
		No. of shares	% of total shares of the Company	Date	No. of shares	Reason	No. of shares	% of total shares of the Company
2.	The New India Assurance Company Limited DPID: IN300812, Client ID: 10001728	424,319	1.07	April 1, 2016			424,319	1.07
				December 9, 2016	-21,670	Transfer	402,649	1.01
				December 16, 2016	-18,412	Transfer	384,237	0.97
				March 31, 2017			384,237	0.97
3.	Hitesh Satishchandra Doshi DPID: IN300126, Client ID: 10936068	125,582	0.32	April 1, 2016			125,582	0.32
				March 31, 2017			125,582	0.32
4.	Edelweiss Securities Limited DPID: IN303719, Client ID: 10121510	111,375	0.28	April 1, 2016			111,375	0.28
				April 8, 2016	-6,848	Transfer	104,527	0.26
				April 15, 2016	-5,563	Transfer	98,964	0.25
				April 22, 2016	-5,742	Transfer	93,222	0.23
				April 29, 2016	-162	Transfer	93,060	0.23
				May 6, 2016	2,784	Transfer	95,844	0.24
				May 20, 2016	-985	Transfer	94,859	0.24
				May 27, 2016	406	Transfer	95,265	0.24
				June 3, 2016	979	Transfer	96,244	0.24
				June 10, 2016	211	Transfer	96,455	0.24
				June 17, 2016	-304	Transfer	96,151	0.24
				June 24, 2016	4,095	Transfer	100,246	0.25
				June 30, 2016	-5,507	Transfer	94,739	0.24
				July 1, 2016	75	Transfer	94,814	0.24
				July 8, 2016	-81	Transfer	94,733	0.24
				July 15, 2016	-94,733	Transfer	–	–
				March 31, 2017			–	–
5.	Dilipkumar Lakhi DPID: IN300159 Client ID: 10026342	536,307	1.35	April 1, 2016			536,307	1.35
				June 10, 2016	12,058	Transfer	548,365	1.38
				June 17, 2016	110,590	Transfer	658,955	1.66
				June 24, 2016	10,410	Transfer	669,365	1.68
				June 30, 2016	32,999	Transfer	702,364	1.77
				July 1, 2016	12,770	Transfer	715,134	1.80
				July 8, 2016	128,025	Transfer	843,159	2.12
				July 15, 2016	51,793	Transfer	894,952	2.25
				July 22, 2016	4,157	Transfer	899,109	2.26
				August 12, 2016	22,927	Transfer	922,036	2.32
				August 19, 2016	20	Transfer	922,056	2.32
				August 26, 2016	1,667	Transfer	923,723	2.32
				September 16, 2016	49,062	Transfer	972,785	2.45

(Contd.)

Shareholding pattern of top ten shareholders (Contd.)

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year (April 1, 2016)		Increase/decrease in shareholding			Cumulative shareholding during the year (April 1, 2016 to March 31, 2017)	
		No. of shares	% of total shares of the Company	Date	No. of shares	Reason	No. of shares	% of total shares of the Company
				September 23, 2016	162,504	Transfer	1,135,289	2.85
				October 7, 2016	4,624	Transfer	1,139,913	2.87
				October 14, 2016	2,156	Transfer	1,142,069	2.87
				November 11, 2016	59,156	Transfer	1,201,225	3.02
				November 18, 2016	103,747	Transfer	1,304,972	3.28
				November 25, 2016	131,404	Transfer	1,436,376	3.61
				December 2, 2016	16,256	Transfer	1,452,632	3.65
				December 9, 2016	15,404	Transfer	1,468,036	3.69
				December 16, 2016	33,518	Transfer	1,501,554	3.78
				December 23, 2016	73,075	Transfer	1,574,629	3.96
				December 30, 2016	3,360	Transfer	1,577,989	3.97
				March 31, 2017			1,577,989	3.97
6.	Chirag Dilipkumar Lakhi DPID: IN300159 Client ID: 10614573	503,313	1.27	April 1, 2016			503,313	1.27
				July 22, 2016	14,433	Transfer	517,746	1.30
				July 29, 2016	10,015	Transfer	527,761	1.33
				September 9, 2016	3,112	Transfer	530,873	1.33
				November 4, 2016	93,937	Transfer	624,810	1.57
				February 10, 2017	5,938	Transfer	630,748	1.59
				March 31, 2017			630,748	1.59
7.	Vinod Mohan Nair DPID: IN300214 Client ID: 18064311	164,251	0.41	April 1, 2016			164,251	0.41
				September 23, 2016	-164,251	Transfer	–	–
				March 31, 2017			–	–
8.	Almondz Global Securities Limited Client ID: 1204190000000317	146,397	0.37	April 1, 2016			146,397	0.37
				April 1, 2016	-5,000	Transfer	141,397	0.36
				April 8, 2016	-547	Transfer	140,850	0.35
				April 15, 2016	-1,050	Transfer	139,800	0.35
				April 22, 2016	150	Transfer	139,950	0.35
				April 29, 2016	1,250	Transfer	141,200	0.36
				May 6, 2016	-1,208	Transfer	139,992	0.35
				May 13, 2016	-28,089	Transfer	111,903	0.28
				May 20, 2016	-26,311	Transfer	85,592	0.22
				May 27, 2016	-6,021	Transfer	79,571	0.20
				June 3, 2016	-350	Transfer	79,221	0.20
				June 17, 2016	-1,700	Transfer	77,521	0.19
				June 30, 2016	-329	Transfer	77,192	0.19
				July 8, 2016	-200	Transfer	76,992	0.19
				August 5, 2016	27,743	Transfer	104,735	0.26

(Contd.)

Shareholding pattern of top ten shareholders (Contd.)

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year (April 1, 2016)		Increase/decrease in shareholding			Cumulative shareholding during the year (April 1, 2016 to March 31, 2017)	
		No. of shares	% of total shares of the Company	Date	No. of shares	Reason	No. of shares	% of total shares of the Company
				August 26, 2016	-2,200	Transfer	102,535	0.26
				October 14, 2016	-21,400	Transfer	81,135	0.20
				October 21, 2016	1,720	Transfer	82,855	0.21
				October 28, 2016	3,858	Transfer	86,713	0.22
				November 18, 2016	-15,000	Transfer	71,713	0.18
				November 25, 2016	-2,000	Transfer	69,713	0.18
				December 2, 2016	-14,111	Transfer	55,602	0.14
				December 23, 2016	15,273	Transfer	70,875	0.18
				January 6, 2017	-560	Transfer	70,315	0.18
				January 13, 2017	-13,250	Transfer	57,065	0.14
				January 20, 2017	-1,565	Transfer	55,500	0.14
				January 27, 2017	10,897	Transfer	66,397	0.17
				February 3, 2017	5,982	Transfer	72,379	0.18
				February 10, 2017	-10,734	Transfer	61,645	0.16
				February 17, 2017	2,331	Transfer	63,976	0.16
				February 24, 2017	-1,827	Transfer	62,149	0.16
				March 3, 2017	-2,888	Transfer	59,261	0.15
				March 17, 2017	11,000	Transfer	70,261	0.18
				March 24, 2017	13,857	Transfer	84,118	0.21
				March 31, 2017			84,118	0.21
9.	Radhakishan Damani	110,000	0.28	April 1, 2016			110,000	0.28
	DPID: IN305099			March 31, 2017			110,000	0.28
	Client ID: 20005754							
10.	IL & FS Securities	108,808	0.27	April 1, 2016			108,808	0.27
	Services Limited			April 1, 2016	350	Transfer	109,158	0.27
	DPID: IN300095			April 8, 2016	4,714	Transfer	113,872	0.29
	Client ID: 11440476			April 15, 2016	500	Transfer	114,372	0.29
				April 29, 2016	520	Transfer	114,892	0.29
				May 6, 2016	-13,546	Transfer	101,346	0.25
				May 13, 2016	-500	Transfer	100,846	0.25
				May 20, 2016	13,790	Transfer	114,636	0.29
				May 27, 2016	10	Transfer	114,646	0.29
				June 3, 2016	1,006	Transfer	115,652	0.29
				June 10, 2016	1,000	Transfer	116,652	0.29
				June 17, 2016	-500	Transfer	116,152	0.29
				June 24, 2016	3,621	Transfer	119,773	0.30
				June 30, 2016	2,022	Transfer	121,795	0.31

(Contd.)

Shareholding pattern of top ten shareholders (Contd.)

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year (April 1, 2016)		Increase/decrease in shareholding			Cumulative shareholding during the year (April 1, 2016 to March 31, 2017)	
		No. of shares	% of total shares of the Company	Date	No. of shares	Reason	No. of shares	% of total shares of the Company
				July 1, 2016	-193	Transfer	121,602	0.31
				July 8, 2016	441	Transfer	122,043	0.31
				July 22, 2016	75	Transfer	122,118	0.31
				July 29, 2016	-1,114	Transfer	121,004	0.30
				August 5, 2016	14,939	Transfer	135,943	0.34
				August 12, 2016	5,435	Transfer	141,378	0.36
				August 19, 2016	-342	Transfer	141,036	0.35
				August 26, 2016	50	Transfer	141,086	0.35
				September 2, 2016	-790	Transfer	140,296	0.35
				September 9, 2016	14,616	Transfer	154,912	0.39
				September 16, 2016	-562	Transfer	154,350	0.39
				September 23, 2016	5,857	Transfer	160,207	0.40
				September 30, 2016	-2,308	Transfer	157,899	0.40
				October 7, 2016	2,034	Transfer	159,933	0.40
				October 14, 2016	-4,750	Transfer	155,183	0.39
				October 21, 2016	2,110	Transfer	157,293	0.40
				October 28, 2016	-325	Transfer	156,968	0.39
				November 4, 2016	20,765	Transfer	177,733	0.45
				November 11, 2016	-4,814	Transfer	172,919	0.43
				November 18, 2016	-163,721	Transfer	9,198	0.02
				November 25, 2016	165,304	Transfer	174,502	0.44
				December 2, 2016	500	Transfer	175,002	0.44
				December 9, 2016	-200	Transfer	174,802	0.44
				December 16, 2016	6,173	Transfer	180,975	0.46
				December 23, 2016	1,889	Transfer	182,864	0.46
				January 6, 2017	-1,062	Transfer	181,802	0.46
				January 13, 2017	900	Transfer	182,702	0.46
				January 20, 2017	-804	Transfer	181,898	0.46
				January 27, 2017	-289	Transfer	181,609	0.46
				February 3, 2017	-500	Transfer	181,109	0.46
				February 10, 2017	3,858	Transfer	184,967	0.47
				February 17, 2017	-200	Transfer	184,767	0.46
				February 24, 2017	-348	Transfer	184,419	0.46
				March 3, 2017	10,000	Transfer	194,419	0.49
				March 10, 2017	525	Transfer	194,944	0.49
				March 17, 2017	18,586	Transfer	213,530	0.54
				March 24, 2017	-172,175	Transfer	41,355	0.10

(Contd.)

Shareholding pattern of top ten shareholders (Contd.)

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year (April 1, 2016)		Increase/decrease in shareholding			Cumulative shareholding during the year (April 1, 2016 to March 31, 2017)	
		No. of shares	% of total shares of the Company	Date	No. of shares	Reason	No. of shares	% of total shares of the Company
				March 31, 2017	-2,000	Transfer	39,355	0.10
				March 31, 2017			39,355	0.10
11.	Manish Lakhi	67,872	0.17	April 1, 2016			67,872	0.17
	DPID: IN300159			April 29, 2016	24,547	Transfer	92,419	0.23
	Client ID: 10026414			May 6, 2016	50,847	Transfer	143,266	0.36
				May 13, 2016	66,421	Transfer	209,687	0.53
				May 20, 2016	53,956	Transfer	263,643	0.66
				May 27, 2016	176,169	Transfer	439,812	1.11
				July 22, 2016	6,901	Transfer	446,713	1.12
				July 29, 2016	2,434	Transfer	449,147	1.13
				August 5, 2016	9,605	Transfer	458,752	1.15
				January 27, 2017	3,000	Transfer	461,752	1.16
				February 3, 2017	2,000	Transfer	463,752	1.17
				March 31, 2017			463,752	1.17
12.	Nepa Shah	–	–	April 1, 2016	–		–	–
	DPID: IN303270			November 4, 2016	119,941	Transfer	119,941	0.30
	Client ID: 10044679			March 31, 2017			119,941	0.30
13.	Phillip Finance &	60,000	0.15	April 1, 2016			60,000	0.15
	Investment Services India			May 27, 2016	10,000	Transfer	70,000	0.18
	Pvt. Ltd.			October 14, 2016	-5,000	Transfer	65,000	0.16
	DPID: IN302164			November 11, 2016	23,150	Transfer	88,150	0.22
	Client ID: 10321893			November 18, 2016	-10,000	Transfer	78,150	0.20
				February 17, 2017	17,000	Transfer	95,150	0.24
				February 24, 2017	30,000	Transfer	125,150	0.31
				March 3, 2017	-10,000	Transfer	115,150	0.29
				March 10, 2017	5,000	Transfer	120,150	0.30
				March 31, 2017	-200	Transfer	119,950	0.30
				March 31, 2017			119,950	0.30
14.	JM Financial Services	191	0.00	April 1, 2016			191	0.00
	Limited			April 15, 2016	-16	Transfer	175	0.00
	DPID: IN302927			May 13, 2016	19	Transfer	194	0.00
	Client ID: 10094771			May 27, 2016	-19	Transfer	175	0.00
				June 10, 2016	9	Transfer	184	0.00
				June 24, 2016	2,607	Transfer	2,791	0.01
				June 30, 2016	-2,597	Transfer	194	0.00
				July 1, 2016	-10	Transfer	184	0.00
				August 19, 2016	1,010	Transfer	1,194	0.00

(Contd.)

Shareholding pattern of top ten shareholders (Contd.)

Sl. No.	Name of the shareholder	Shareholding at the beginning of the year (April 1, 2016)		Increase/decrease in shareholding			Cumulative shareholding during the year (April 1, 2016 to March 31, 2017)	
		No. of shares	% of total shares of the Company	Date	No. of shares	Reason	No. of shares	% of total shares of the Company
				August 26, 2016	-1000	Transfer	194	0.00
				September 2, 2016	491	Transfer	685	0.00
				September 9, 2016	1,602	Transfer	2,287	0.01
				September 16, 2016	4,038	Transfer	6,325	0.02
				September 23, 2016	-129	Transfer	6,196	0.02
				September 30, 2016	-5,992	Transfer	204	0.00
				October 14, 2016	260	Transfer	464	0.00
				October 28, 2016	20,417	Transfer	20,881	0.05
				November 4, 2016	-20,417	Transfer	464	0.00
				November 11, 2016	8,019	Transfer	8,483	0.02
				November 18, 2016	-8,279	Transfer	204	0.00
				November 25, 2016	88	Transfer	292	0.00
				December 2, 2016	353	Transfer	645	0.00
				December 9, 2016	2,360	Transfer	3,005	0.01
				December 23, 2016	-1,291	Transfer	1,714	0.00
				December 30, 2016	947	Transfer	2,661	0.01
				January 6, 2017	-118	Transfer	2,543	0.01
				January 13, 2017	-348	Transfer	2,195	0.01
				January 27, 2017	191	Transfer	2,386	0.01
				February 3, 2017	3,809	Transfer	6,195	0.02
				February 10, 2017	-6,000	Transfer	195	0.00
				February 17, 2017	3	Transfer	198	0.00
				February 24, 2017	1,347	Transfer	1,545	0.00
				March 3, 2017	455	Transfer	2,000	0.01
				March 10, 2017	1,530	Transfer	3,530	0.01
				March 17, 2017	-2,055	Transfer	1,475	0.00
				March 24, 2017	169,772	Transfer	171,247	0.43
				March 31, 2017	2,030	Transfer	173,277	0.44
				March 31, 2017			173,277	0.44

v. Shareholding of Directors and Key Managerial Personnel

Sl. No.	Name of the Director/ Key Managerial Personnel	Shareholding at the beginning of the year (April 1, 2016)		Increase/decrease in shareholding		Shareholding at the end of the year (March 31, 2017)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Mr. C. Prabhakar, Company Secretary	258	0.00	–	–	258	0.00

V. Indebtedness of the Company including interest outstanding/accrued but not due for payment (₹)

	Secured Loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
Indebtedness at the beginning of the financial year				
i. Principal amount	300,000,000	4,465,149,152	88,646	4,765,237,798
ii. Interest due but not paid	–	–	–	–
iii. Interest accrued but not due	–	4700324	–	4,700,324
Total (i+ii+iii)	300,000,000	4,469,849,476	88,646	4,769,938,122
Change in indebtedness during the financial year				
Addition	900,000,000	900,000,000	–	1,800,000,000
Reduction	1,000,000,000	1,975,366,498	–	2,975,366,498
Net change	(100,000,000)	(1,075,366,498)	–	(1,175,366,498)
Indebtedness at the end of the financial year				
i. Principal amount	200,000,000	3,394,482,978	88,646	3,594,571,624
ii. Interest due but not paid	–	–	–	–
iii. Interest accrued but not due	–	1,359,133	–	1,359,133
Total (i+ii+iii)	200,000,000	3,395,842,111	88,646	3,595,930,757

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager (₹ Lakhs)

Sl. No.	Particulars of remuneration	Mr. Rampraveen Swaminathan, Chairman & Managing Director
1.	Gross salary	
	a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	53.00
	b. Value of perquisites under Section 17(2) of the Income Tax Act, 1961	–
	c. Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–
2.	Stock option	–
3.	Sweat equity	–
4.	Commission - as % of profit	–
	- others	–
5.	Others	–
	Total	**53.00**
	Ceiling as per the Act	217.11

B. Remuneration to other directors

(₹ Lakhs)

Sl. No.	Particulars of remuneration	Name of Directors					Total amount
		Mr. M.S. Ramachandran	**Ms. Ranjana Kumar**	**Mr. Praveen P. Kadle**	**Mr. Adhiraj Amar Sarin**	**Mr. Milind Sarwate**	
1.	**Independent Directors**						
	Fee for attending board/ committee meetings	9.50	5.25	1.75	11.00	7.00	34.50
	Commission	9.22	9.22	9.22	9.22	9.22	46.10
	Others	–	–	–	–	–	–
	Total (1)	18.72	14.47	10.97	20.22	16.22	80.60
2.	**Other Non-Executive Directors**	**Mr. Thomas G. Kadien**	**Ms. Shiela P. Vinczeller**	**Ms. Ann Barbara Wrobleski**	**Mr. W. Michael Amick Jr.**	**Mr. Donald P. Devlin**	
	Fee for attending board/ committee meetings	–	–	–	–	–	–
	Commission	–	–	–	–	–	–
	Others	–	–	–	–	–	–
	Total (2)	–	–	–	–	–	–
	Total (B)=(1)+(2)						80.60
	Total managerial remuneration (1+2)*						**133.60**
	Overall ceiling as per the Act	Within the ceiling as per Section 197(5) of the Companies Act, 2013					

*Total remuneration to Managing Director and other Directors (being the total of A and B)

C. Remuneration to Key Managerial Personnel other than MD/manager/whole-time director

(₹ Lakhs)

Sl. No.	Particulars of remuneration	Key Managerial Personnel		
		Mr. C. Prabhakar Company Secretary	Mr. Badrinath Chellappa Chief Financial Officer	Total amount
1.	Gross salary			
	a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	70.01	93.05	163.06
	b. Value of perquisites under Section 17(2) of the Income Tax Act, 1961	1.99	0.38	2.37
	c. Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	–	–	–
2.	Stock option	–	–	–
3.	Sweat equity	–	–	–
4.	Commission	–	–	–
5.	Others	–	–	–
	Total	**72.00**	**93.43**	**165.43**

VII. Penalties/punishment/compounding of offences

Type	Section of the Companies Act	Brief description	Details of penalty/ punishment/ compounding fees imposed	Authority [RD/NCLT/ court]	Appeal made, if any
A. Company					
Penalty					
Punishment					
Compounding					
B. Directors					
Penalty					
Punishment					
Compounding					
C. Other Officers in Default					
Penalty					
Punishment					
Compounding					

NIL

Annexure-3

Form No. MR-3
SECRETARIAL AUDIT REPORT

For the financial year ended March 31, 2017
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

The Members,
International Paper APPM Limited
(Formerly The Andhra Pradesh Paper Mills Limited)
Rajahmundry - 533 105
East Godavari District
Andhra Pradesh

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **International Paper APPM Limited** (hereinafter called the 'Company'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2017, according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

   a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the period of audit).

   d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during the period of audit);

   e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the period of audit);

   f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the period of audit); and

   h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the period of audit)

vi. Other laws **specifically** applicable to the Company include:

   a. Forest (Conservation) Act, 1980;

   b. Chemical Accidents (Emergency Planning Preparedness and response) Rules, 1996;

   c. Indian Boilers Act, 1923;

   d. The Biological Diversity Act, 2002;

   e. The Environment (Protection) Act, 1986;

   f. The Essential Commodities Act, 1955;

   g. The Wildlife (Protection) Act, 1972.

We have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards issued by the Institute of Company Secretaries of India;

ii. The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited;

During the period under review, the Company has complied with the provisions of the act, rules, regulations, guidelines, standards, etc. mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting Board Members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Company has subscribed to an Online Compliance Management System whereby system generated reports are submitted quarterly to the members of the Board about any non-compliance and delayed compliance, if any with respect to all laws and rules that are applicable to the company. The Board in their meetings takes note of this report and suggests corrective action, if deemed necessary.

We further report that during the audit period the Company has no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

For **D. HANUMANTA RAJU & Co**
COMPANY SECRETARIES



CS D. HANUMANTA RAJU
PARTNER
FCS: 4044, CP No: 1709

Hyderabad
April 13, 2017

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure A

The Members,
International Paper APPM Limited
(Formerly The Andhra Pradesh Paper Mills Limited)
Rajahmundry - 533 105
East Godavari District
Andhra Pradesh

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness and with which the management has conducted the affairs of the Company.

For **D. HANUMANTA RAJU & Co**
COMPANY SECRETARIES



CS D. HANUMANTA RAJU
PARTNER
FCS: 4044, CP No: 1709

Hyderabad
April 13, 2017

Annexure-4

Form AOC-I

Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part 'A': Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rupees)

Name of the subsidiary	IP India Foundation
Reporting period for the subsidiary concerned, if different from the holding company's reporting period	From April 1, 2016 to March 31, 2017
Reporting currency and exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	NA
Share capital	₹ 500,000
Reserves & surplus	₹ 2,601,661
Total assets	₹ 3,206,286
Total liabilities	₹ 3,206,286
Investments	₹ 75,000
Turnover	₹ 3,657,334
Excess of income over expenditure before taxation	₹ 2,385,168
Provision for taxation	₹ Nil
Excess of income over expenditure after taxation	₹ 2,385,168
Proposed dividend	Not applicable
% of shareholding	100

There is no other subsidiary company except IP India Foundation.

For and on behalf of the Board



Hyderabad
June 5, 2017

Donald P. Devlin
Chairman & Managing Director

Management Discussion & Analysis

ECONOMIC SCENARIO

Indian economy grew by 7.1% in the financial year 2016-17, at a rate lower than the 8% achieved in 2015-16. The GDP was impacted by the effects of demonetization, and reflects a continued slump in investment. Growth was dragged by excess production capacity, over investment on corporate balance sheets, and bank lending inhibited by stressed assets.

Moderately higher GDP growth is projected for 2017-18 as consumption picks up and government initiatives boost private investment. Sustaining growth to power the transition to high income will depend on much greater improvement in productivity.

Asian Development Bank in its Outlook published in April 2017 says innovation, human capital, and infrastructure are the three pillars of productivity growth. Supportive institutions and policies, underpinned by macroeconomic stability, can strengthen all three pillars. Given India's dynamic track record over the past few years, attaining high income status, while challenging, is achievable.

In the near term, India's economy is set to grow at 7.4% in the current fiscal year 2017-18, on the back of pick-up in consumption demand and higher public investment.

GLOBAL PAPER INDUSTRY

Over 407 million metric tons of pulp, paper and board are produced across the world. More than half of that production is attributable to packaging paper, while almost one third to graphic paper. The world's three largest paper producing countries are China, the United States, and Japan. These three countries account for half of the world's total paper production, while the leading paper importing and exporting countries are Germany and the United States.

The world's paper consumption is roughly equal to the amount of paper produced annually. China is the largest producer in the world (approximately 107 million metric tons) and the largest consumer in the world (more than 103 million metric tons) annually, followed by the U.S. with a consumption rate of more than 71 million metric tons. North America, however, has the highest consumption of paper, consuming 221 kilograms per capita, compared to the world average per capita consumption of paper of just 57 kilograms per year. Seen in perspective, per capita consumption in India is 10 kgs.

Paper making today is a large, capital-intensive industry, characterized by high-speed machines and complex systems of control for manufacturing to close tolerances, thousands of products vital to education, communication, marketing, packaging, construction, etc. The pulp and paper industry comprises manufacturing enterprises that convert cellulose fiber into a wide variety of pulp, papers and paperboards. About 95% of their fiber comes from wood from forests, the balance from wastepaper and a very small quantity of linen and cotton rags. Wood is reduced to fiber by mechanical means or by cooking in chemicals. The fibers are then mixed with water, adhering to one another as the water is removed by pressure and heat.

The global paper and pulp mills industry has contracted slightly over the past five years, primarily due to the transition to digital media and paperless communication across most developed economies. However, manufacturing booms in many emerging markets have partially offset the decline by driving increased demand for paper used in packaging materials.

The combination of reduced demand in North America along with the increased supply (and demand) of cheap paper from overseas has dealt great harm to a formerly powerful North American industry. The North American and EU paper markets are being hard-hit by low-price imports, primarily from Asia.

Asia Pacific is turning dominant in the industry due to improvement in changing lifestyle of consumers, rapid urbanization, and rise in disposable income. A combination of factors such as demographic and economic conditions, and environmental regulations has had a significant impact on the industry dynamics.

54% of the paper and board produced globally is used for packaging. Writing & printing paper makes the second largest market for paper at 27%. Half the global paper is consumed in Europe and North America.

Paper is made from renewable resources, primarily from cellulose tree fiber, by dicing and pounding wood, and treating it with water, chemicals, heat, and mechanical beaters to dissociate the fibers. The wood pulp is spread onto large moving screens to drain, flattened by rollers, dried, and collected in large rolls. Several varieties, types and thicknesses of paper are produced according to the raw wood used, the pulping process, the additive chemicals used and the rolling process.

Recycled fiber and other sources such as agricultural residue are also becoming more commonly used in pulp and paper making.

Recent trend shows, several global pulp and paper companies are moving their production to the southern hemisphere due to lower production costs and proximity to fast growing pulpwood plantations. Adoption of responsible pulpwood plantation practices is another dynamic that is getting the attention of producers. Pulp and paper production often provides well needed jobs in many areas where other employment opportunities are limited.

Responsibly produced and used paper has many advantages over non-renewable alternative materials, minimizing harmful impact on forests, climate and water. The industry in general has been in the forefront of stewardship to bring about sustainable forestry, clean pulp and paper manufacturing, and promote responsible paper consumption.

Prices for wood pulp can fluctuate sharply from year to year. The end prices tend to reflect not only demand for paper, but also the dynamics of the raw material trends. Several manufacturers have been able to distinguish their products with strong quality and brand identity in what is otherwise a commodity market. These manufacturers have been able to reduce the significance of pricing in the competitive equations.

The pulp and paper industry priorities across the globe can be summarized as follows:

- Wood fiber is grown, sourced and re-used in a responsible way. Maximizing the use of recycled fibers and sourcing virgin fiber from credibly certified natural forests and plantations is tending to reduce paper's ecological footprint.
- With the use of clean technology, the manufacturing process does minimize pulp and paper products' impact on climate change and water. Carbon dioxide emissions from the manufacturing process is being reduced by investing in new plants, retrofitting existing plants, heat recovery and increased paper recycling.
- Sustainable consumption practices help to reduce the environmental impact of paper.

INDIAN PAPER INDUSTRY

The geographical spread of the industry as well as market is mainly responsible for regional balance of production and consumption. There is near self-sufficiency with the indigenous production of most varieties of paper and paperboards. Certain varieties of specialty papers are however, imported.

The operating capacity of the industry currently stands at around 14 million metric tons. The domestic production is estimated to be 11 million metric tons. As per industry estimates, over all paper consumption has now touched about 14 million metric tons.

The industry grew with the rising level of literacy, improving well-being of the people and surging aspiration levels. Paper usage has increased over the years. Yet, the per capita consumption in India is estimated to be barely 10 kgs compared with 75 kgs in China, 156 kgs each in European Union, 159 kgs in Korea, Taiwan, Hong Kong, Singapore & Malaysia, 215 kgs in Japan, 221 kgs in North America, while the global average itself is a healthy 57 kgs.

India has 17% of the world's population yet accounts for only about 3% of the world's production of paper and paperboard. The estimated turnover of the industry is approximately ₹50,000 crore, contributes ₹4,500 crore to the exchequer and provides employment to more than 0.5 million people directly and 1.5 million people indirectly.

Most of the paper mills have been in existence for a long time and hence present technologies fall in a wide spectrum ranging from oldest to the most modern. The mills use a variety of raw material viz. wood, bamboo, recycled fiber, bagasse, wheat straw, rice husk, etc.; approximately 35% are based on wood, 40% on recycled fibre and 25% on agro-residues.

India's wood resources suitable for paper production are inadequate. Cost of wood is hence much higher in comparison to the rest of the world. Since there is conspicuous absence of enabling policies favoring corporate plantation or farming, securing future wood supplies will be the industry's biggest challenge.

Wood based segment of the paper industry meets its current requirements mainly through social/farm forestry and supplements it with purchases from the state forest development corporations. A few manufacturers have even explored import of raw wood from neighboring countries. In the recent budget, the government has announced basic customs duty cut on import of woods.

The paper industry in India is majorly categorized into writing and printing (W&P), paperboard and newsprint segments. Paperboards constitute approximately 46% of the demand volume, while W&P accounts for approximately 30%. Newsprint makes for another 19%. Specialty papers make the balance 5%.

Major varieties of W&P are creamwove, maplitho, cut-size and coated paper. Recent trends indicate higher quality paper segments such as cut-size and coated varieties have been gaining volumes, while creamwove has a stable market. Maplitho, cut-size and coated paper command higher realizations, while creamwove is a volume runner. According to industry estimates, creamwove commands 46% of the W&P market, maplitho occupies 34% and cut-sizes constitute the balance 20%.

Paperboard, primarily used for industrial purposes, consists of kraft paper board, virgin board and recycled board. Kraft paper is produced in several varieties generally

differentiated by properties of strength and grammage. Paperboard varieties include coated/uncoated duplex, chromo and triplex boards.

Cost competitiveness has differentiated the performance of paper mills, largely affected by location of the mills. Successful mills have been located near source of raw material i.e. wood as well as near source of coal, water and skilled labor. Availability and cost of power had also had a bearing on the performance of paper mills.

So far, the growth in paper industry has mirrored the growth in GDP. Demand is driven by general commercial activity and population growth. The profitability of individual companies depends on efficient operations, as products are sold mainly based on price. Big companies have advantages in distribution and can supply to large customers. There are few economies of scale in manufacturing; large and small producers operate the same kinds of plants - large producers just have more of them. Small companies compete successfully by making specialty products or serving a small geographical market.

India is a fast growing market for paper globally and it presents an exciting scenario; the operating capacity of the industry currently stands at about 13.9 million metric tons. Of these, packaging production is about 6.4 million metric tons, W&P constitutes 4.1 million metric tons, newsprint makes for 2.7 million metric tons and Specialty Papers about 0.7 metric tons. Amongst W&P, uncoated paper accounts for 84% and the balance 16% is made up of coated paper (art board, art paper and chrome paper).

As per industry experts, paper demand is likely to grow at 5.5-6.5% to touch 18.5-19 million tons in 2020-21. Amongst these, the sectoral forecast is as follows:

- Demand for paperboard is expected to grow at a healthy 7-8% CAGR over the next 5 years, driven by packaging of fast-moving consumer goods products, readymade garments, pharmaceuticals, e-commerce, and household appliances;
- Writing and printing demand is expected to grow at 4-5% CAGR (as against 3.6% between 2010-11 and 2015-16) on account of a likely pick-up from the corporate and education sector with improving literacy rates;
- Specialty paper (majorly tissue paper and thermal paper) is expected to continue to grow at a robust 9-11% CAGR.

Uncoated W&P is expected to increase to 6.4 million metric tons by 2022 while paperboard production is estimated to increase rapidly to 7.6 million metric tons by as early as 2017-18 with improved FMCG sales, wider reach of organized retail, penetration of healthcare into the rural economy, sustained demand for packaged products in line with rising aspiration levels and changing lifestyles.

The demand for cut-size segment (~20% of W&P segment) will continue to remain strong and grow at 9-10% CAGR through 2021, primarily on account of rise in incremental spend on stationery by corporates and rise in number of offices, coupled with steady growth in service industry.

It is estimated by industry experts that an increase in consumption by one kg per capita on a 100 basis point increase in GDP, would lead to an increase in demand of 1 million metric ton. With growth in GDP and increase in literacy, paper consumption in India is bound to go up. In fact, consumption in India is estimated to touch 18.5-19 million metric tons by 2020-21.

THREATS & OPPORTUNITIES

For the Indian paper industry, strong economic growth has been accompanied by equally robust demand for paper. The demand drivers and growth triggers have come from a combination of factors:

- Rising level of national income;
- Growing per capita disposable income;
- Improving aspiration levels of the people;
- Expanding population;
- Widening spread of education and literacy throughout the country; and
- Increasing size of the service industry, higher level of industrial activity and rising corporate spending.

There is therefore enormous potential for the paper industry in the country. Yet, this is accompanied by serious challenges, primarily from rising raw material cost. Wood prices have tended to harden and then turn reasonable over the past 36 months. Worse, supplies tended to dry up from time-to-time with the result several paper producers have had to import expensive fiber/raw wood.

Given the wood resources and availability are limited across the country, cost of wood is much higher in India as compared to elsewhere in the globe. The official policies do not permit corporate farming which hampers securing wood and hence is a major challenge for the paper producers.

While the upstream companies with their integrated manufacturing facilities are able to partially shield themselves, non-integrated manufacturers are facing the brunt of the steep rise in pulp prices.

The paper and paperboard industry is determined to overcome the challenges such as enhancing competitiveness to face global competition, economies of scale, modernization of mills, building new capacities, meeting incremental demand of paper, productivity/quality improvement, creation of robust raw material base, environmental upgradation and green technologies. Until these constraints are overcome, manufacturers in the industry will find it difficult to compete with external threat or the supply overhang that persists in the paper and paperboard industry.

COMPANY PERSPECTIVE

International Paper APPM Limited (formerly known as The Andhra Pradesh Paper Mills Limited) is one of the largest integrated paper and pulp manufacturers in India.

As a responsible producer of renewable fiber based pulp and paper, IP APPM strives to create long-term value for all stakeholders in a sustainable manner. The Company is therefore committed to sustaining forests, investing in people, improving the planet, creating innovative products and delivering inspired performance.

Incorporated in 1964, the Company produces writing, printing and cut-size papers for foreign and domestic markets and offers a wide range of superior quality specialty grade products that are custom engineered to suit specific and diverse range of applications. These products are designed to provide outstanding performance, functional excellence and exceptional finish quality.

The well-known cut-size papers of the Company offer a wide range of office documentation and multipurpose papers, from economy to premium grades, ideal for

both home and commercial use. The papers are available in best-in-class brightness and produced with elemental chlorine free (ECF) pulp technology. The range is perfect for high volume photocopying and high-quality color printing needs and engineered to run flawlessly on all types of photocopiers, laserjet and inkjet printers, fax machines and multi functional devices.

The production facilities at Rajahmundry and Kadiyam (includes a recycle unit) have a total production capacity of 241,000 TPA. The Company employs 2,070 employees and is headquartered at Hyderabad.

In 2011, the Andhra Pradesh Paper Mills Limited was acquired by International Paper (IP), a USD 21 billion American pulp and paper company founded in 1898. In the first significant domestic acquisition by a foreign paper company, IP bought 75% stake in the Company. IP, headquartered in Memphis, Tennessee, USA is the largest pulp and paper company in the world, with approximately 55,000 employees across 24 countries.

In December 2013, the Company was renamed as International Paper APPM Limited. The name change was intended to recognize the parentage of International Paper, while maintaining the link to the history and positioning of the Andhra Paper brand. This is also to ensure that future investments in brand-building are directed around the IP brand leveraging the Group's global presence and technology.

IP APPM is focused on people safety, efficiency enhancements and social and community programs backed up with its own pioneering work in raw material generation through social farm forestry. Across the Company, there is a strong strategic focus to drive future growth through building on the organization strengths to produce the highest in quality, ramping up of volumes and be a cost effective producer of paper.

The Company has always been conscious of its corporate responsibilities and follows a strict environmental policy. Investments continue to be made in achieving ambitious benchmarks to remain ahead of all compliance standards. Such efforts have helped protect and regenerate the natural resources, conserve energy and water, improve productivity and set a good environmental track record at the mills.

IP APPM has hugely improved its competitive strength and presently has the ability to overcome the pressure points that confront the industry. Several initiatives undertaken have improved the organizational capabilities, a few of which include: continued access to pulp of the highest quality, revamped processes incorporating the latest in production technology, enhanced manufacturing capacity, reduced use of fossil fuel, increased recovery process to recycle chemicals and water, improved productivity and quality of products, upgraded environmental technologies, all of which are leading to the production facilities becoming cost-competitive in manufacturing economics.

IP APPM is one of the largest integrated pulp & paper manufacturers in India and has done pioneering work in several areas in the pulp and paper industry in India. The Company holds ISO 14001, ISO 9001 & OHSAS 18001 certifications as well as the Forest Stewardship Council (FSC) Chain of Custody (COC) certification.

The Company's manufacturing units are briefly described below:

Unit:Rajahmundry is an integrated wood based paper mill with a rated capacity to produce 174,000 MT of finished paper and 181,500 MT of bleached pulp annually.

The unit manufactures uncoated writing and printing paper - mainly cut-sizes, industrial papers and posters using Casuarina and Subabul as main source of pulp woods.

Unit:Kadiyam, the second manufacturing unit, has a rated capacity to produce 67,000 MT per annum of finished paper such as cream wove, azurelaid, colored cut-sizes, kraft liner using recycled fiber and purchased pulp as base raw materials.

The paper industry is capital intensive with a large gestation period. Payback is partly earned through better product characteristics and value realization and partly by improving productivity. In its endeavor to match global standards, IP APPM has invested heavily in environment friendly technologies that facilitate increasing the overall quality of products and demonstrating productivity gains.

Over the past few years, IP APPM invested in capital equipments, processes and infrastructure which include the following:

- A chipper line which enables more homogenous chips which in turn help produce good quality pulp;
- A continuous digester that works on low solid and low temperature cooking of chips;
- A two-stage oxygen delignification plant followed by an elemental chlorine free bleaching plant;
- A non-condensable gas burning system suitable for high volume and low concentration gases;
- A chemical recovery system based on high steam economy evaporation and crystallization technology for higher solids concentration;
- A recausticizing plant;
- A rotary lime kiln;
- A 34 MW turbine with a power boiler to supplement captive power;
- A diffused aeration system with cooling tower to improve the efficiency of the effluent treatment plant;
- Installation of state-of-art 8-pocket precision cut-size sheeter;
- Replacement of root blowers by energy efficient and environment friendly turbo blowers;
- Installation of white liquor oxidation plant for maintaining chemical balance in pulp and recovery plant;
- New drag chain conveyor and dust extraction system for controlling lime dust.
- Odour control of foul condensate system;
- Bark firing system;
- Sludge dewatering system;
- Installation of ambient air quality monitoring system;
- Upgradation of DCS on fiber line, recovery island & power plant;
- LVHC System upgradation for effective collection of high concentrated foul gases from evaporator area and to burn in lime kilns to meet norms of ambient air quality;

- Replacement of imploded roof tops of WBL & SBL tanks to ensure safety with vacuum application for collection of DNCG of HVLC to avoid foul odour problem; and
- Renovation of internal roads, canteen, employee residential quarters and learning centre.

All the investments are directed to improve the systems and processes to ensure consistent pulp quality with high strength properties, low consumption of utilities and chemicals and offer economies of scale. The Company has improved the economics of production in the mill and exceeded current environmental norms applicable in the country.

The Company has been striving to produce higher grade varieties of paper that are in demand in the addressable markets. During the past two years, several newer and high-end writing and printing varieties were introduced.

In the cut-size and graphic papers, 90+ brightness paper was launched. For all grades, marketing and distribution is done primarily through a network of dealers. Some large consumers are also being catered to directly and the Company participates in government tenders. IP APPM products are exported to Middle East, North Africa and Latin America.

RAW MATERIAL

The Company has been in the forefront of pioneering work in raw material generation through social farm forestry. Indeed, IP APPM is becoming a driving force in sustainability in the paper manufacturing arena through focused social and community programs.

IP APPM has been the first to recognize the need to actively promote agro forestry with private land holders/farmers to meet its raw material needs in a sustainable manner. Since 1989, IP APPM has done path breaking work to develop its unique model of farm forestry that has helped the Company not only to create adequate supplies of wood in the catchment area but also develop a sustainable source of pulpwood for the future. The Company distributes saplings, at concessional rate, from its nurseries and counsels farmers on the best methods to grow them thereby conserving natural resources and creating a healthier environment.

By leading a collaborative approach with farmers and key stakeholders, the Company has continued on the path of long term sustainability. The farm forestry and procurement strategy has enabled the Company to effectively source 100% of its fiber requirement within a 300 kms radius of the mill (primarily within Andhra Pradesh and Telangana).

As in the past several years, majority of the procurement was obtained from the Company's own farm forestry initiatives based on a program to develop massive plantations on marginal and degraded farm lands. While doing so, IP APPM supports farmer welfare programs and champions the cause of an eco-friendly environment. The clonal saplings distributed by the Company have started yielding results and the farmers have reported more than 100% improvement in yield per acre of wood produced.

During 2016 planting year, 53.7 million quality saplings were distributed covering an area of 7,500 hectares under plantation. Research on clonal development has resulted

in introduction of high yielding, disease resistant clones that are versatile to a wide variety of agro-climatic conditions in inland and coastal areas.

In order to have meaningful relationship with the farmers, the Company has started a unique initiative through the digital system by launching www.rythukosam.com and **Rythukosam Smart Card**. The farmers now have a direct access to avail best practices and communicate with the Company. With **Krishak Honoured Smart Card** program, farmers also get direct market for sale of their ready pulpwood plantation to us and better linkages and tracking.

The initiatives taken so far with high yielding, short rotation planting stock will enhance raw material availability, spread over 252,500 hectares. These have generated a potential of over 123 million man-days of employment especially in rural areas, so far.

Focus species under the farm forestry programme is Casuarina which has capacity of binding atmospheric nitrogen, thereby improving soil fertility of farmer's land. Casuarina supports intercropping of vegetables, pulses etc. and is one of the most economically beneficial crops since it can grow on waste land. These activities help farmers in improving their socio economic condition.

The Company's sustainable farm forestry program represents a strong competitive advantage and has become an economic driver for regeneration of forests, maximization of plantation productivity, improvement in the finances of farmers which in turn would augment the long-term raw material security of the mill.

While being a facilitator to the farmers, IP APPM has achieved fiber leadership in terms of assured volume, optimal price and optimal mix and uninterrupted supply in the catchment area. These activities have resulted in effective cost saving.

The financial year 2016-17 witnessed lower demand pressure for fiber primarily due to a competitor's withdrawal in the catchment area, which eased pressure on availability. With expectation of increasing fiber volume, there is likely to be less pressure on availability in forthcoming years, as well.

IP APPM has been working on development of new or additional sources to reduce dependency on distant source or import, to have better sustainability, security and cost reduction. Several initiatives were taken in 2016-17 to bring more reliability and add to the reservoir of sustainable sources.

PERFORMANCE REVIEW

It was a satisfactory year, with improvement in quality of earnings, while substantially enhancing the sustainability of the business. The industry witnessed stable volume, positive market environment and fairly balanced supply-demand scenario.

IP APPM performed well with strong sales volume and price improvement as well as more consistent mill operations and lower costs for key raw materials. The Company continued to focus on important initiatives for improving employee safety and the mill environment as well as improving the customer experience and operation efficiencies. These efforts helped to significantly improve EBITDA and profit before exceptional items.

As in earlier years, the endeavor was to become competitive and succeed despite the headwinds. The strategy of the Company was to adopt the best practices that

International Paper stands for: the way we operate our business, the way we serve our customers, and the way we lead, develop and grow our people.

The essential element of IP APPM's long-term value creation strategy is to be one of the best respected companies in India. Throughout the year, all aspects of the business continued to be centred on safety, people, customers, operational excellence, sustainability and thereby become profitable and generate a free cash flow.

In a bid to ensure long-term sustainable growth, the Company has adopted strategic principles that enhance overall performance. The Company fine tuned its customer support processes and systems to add excellence in delivery; and expanded in printing and writing segments to be a leading supplier of premium grade products in the Indian market.

During the year, sales volume was 220,963 MT as compared to 217,706 MT in 2015-16. Of the revenues, 19% were from exports (previous year 20%) with domestic sales accounting for the balance 81%.

IP APPM produced 215,743 MT of paper in the year ended March 2017 as against 217,795 MT in 2015-16. Capacity utilization remained above 88% during the year. Productivity and overall machine efficiency (OME) was enhanced every quarter. In specific, gains were made in fiber, energy and chemical costs as well as by savings on overheads.

As in the earlier years, deliberate and continuous efforts were made to become a low cost producer, raising the operating efficiencies and optimizing material consumption. Power consumption per ton of paper produced was lower by 1.1% as compared to 2015-16.

Chemical cost and usage came down over the previous year. Chemical recovery percentage was maintained at 98% during the year. Control on overhead expenses also yielded significant results.

Improving the manufacturing reliability was an aggressive initiative with better planning and scheduling as well as focused machine wise product strategy to secure continuous runs and lower downtime. This strategy helped improve the on-time-in-full (OTIF) performance above 88% from 81% reported in 2015-16.

Gross revenue from operations was higher by 4% compared to the previous year. The EBITDA margin improved significantly, was up by 25.1% at ₹171.5 crore as compared to ₹137.1 crore in the previous year. EBITDA as percentage of revenue increased to 13.5% in 2016-17 from 11.3% in 2015-16. Improvement in EBITDA primarily happened on the backdrop of savings in costs related to fiber, chemical, power & overhead reduction.

Debt was reduced by repayment of ₹117 crore, from ₹477.0 crore in March 2016 to ₹359.6 crore in March 2017, with the result, the debt-equity ratio was lower at 0.74:1 at year end, as against 1.05:1 at the beginning of the year. Interest cost as a percentage of both volume sold and revenue came down significantly.

The Company generated ₹172 crore cash from operations in the year under review as compared to ₹111 crore in 2015-16. The net profit for the year was ₹31.3 crore while the previous year had ended with a net profit of ₹36.9 crore. The net profit for the year

at ₹31.3 crore is after providing for levy of electricity duty by the State Government on consumption of electricity by captive generating units relating to earlier years (₹23.57 crore) and excise duty on credit notes for discounts/rebates (₹4.62 crore), totalling ₹28.19 crore.

Overall, the year witnessed a significant rise in profitability in operations.

INTERNAL FINANCIAL CONTROL

The management of IP APPM is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is the process designed by, or under the supervision of, our Chairman & Managing Director and Chief Financial Officer, and effected by our Board of Directors, Audit Committee, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore can provide only reasonable assurance of achieving the designed control objectives. The Company's internal control system is supported by written policies and procedures, contains self-monitoring mechanisms, and is audited by Independent Auditors.

Appropriate actions are taken by management to correct deficiencies as they are identified. The Company has a process in place to continuously monitor the processes and identify gaps, if any, and implement new and/or improved controls wherever the effect of such gaps would have a material effect on the Company's operations.

The Company performed an evaluation and made an assessment of the adequacy and effectiveness of the Company's internal financial controls as at March 31, 2017. Based on this assessment, the management believes that, as of March 31, 2017, the Company's internal control over financial reporting was effective and our Statutory Auditors M/s. Deloitte Haskins & Sells have expressed an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial control over financial reporting in pages 75 and 76 of this annual report.

The internal control environment includes an enterprise-wide attitude of integrity and control consciousness that establishes a positive 'tone at the top'. This is exemplified by our ethics program that includes long-standing principles and policies on ethical business conduct that require employees to maintain the highest ethical and legal standards in the conduct of International Paper business, which have been distributed to all employees; a toll-free telephone helpline whereby any employee may anonymously report suspected violations of law or company's policy; and an office of ethics and business practice.

The internal control system further includes careful selection and training of supervisory and management personnel, appropriate delegation of authority and division of responsibility, dissemination of accounting and business policies throughout the company, and an extensive program of internal audits with management follow-up.

The Board of Directors, assisted by the Audit Committee, monitors the integrity of the Company's financial statements and financial reporting procedures, the performance of the Company's internal audit function and independent auditors, and other matters set forth in its charter. The Committee, which consists of independent directors, meets

regularly with representatives of management, and with the independent auditors and the Internal Auditor, with and without management representatives in attendance, to review their activities.

The Committee has reviewed and discussed the financial statements for the year ended March 31, 2017, including critical accounting policies and significant management judgments, with management and the independent auditors.

INFORMATION TECHNOLOGY (IT)

IT Department continued its focus on enabling business processes and systems through strategic adoption of IT. These covered all the operating areas including manufacturing, sales and marketing, human resources and forestry. During the year under review, the Company implemented several IT systems and processes including redesigning the website, infrastructure upgrades, regional office migrations, enhancing mobile apps and existing applications to enable customers to view the Company's products.

SAP application, on being stabilized, improved operational efficiency, enabled cost reduction, enhanced controls in the areas of finance, costing, purchasing, manufacturing and project systems. The benefits derived from this project have simplified, standardized and streamlined business processes with greater integration across the enterprise. The Company is also focusing on innovation within IT to further reduce the costs and introduce new tools.

HUMAN RESOURCES

People are the real strength & while pursuing best-in-class performance, the Company is significantly increasing its investment in its employees with training and development. IP APPM invests in training and knowledge at all levels in order to align employees with requirements on safety, customer support, market needs, operational excellence, technology upgradation, process improvements, innovation and behavioral competencies.

There is a continuous effort to improve the working environment with focus on employee well-being and capability building to enable them to perform at their best for the Company. IP APPM develops leaders at global platforms at regular intervals as a part of the commitment to engage and retain talent. The management offers robust leadership development efforts to hone employee skills and help keep the Company ahead of the curve.

Post-training, participants have been able to demonstrate a different attitude and add significant value at work. A delegated authority structure has further improved the Company performance as the knowledge base is well spread within the organization leading to dynamic benchmarking amongst departmental teams. The performance management system is administered as an enabling tool to help associates achieve both short term and longer term goals. Overall, employee engagement levels stand elevated.

As a responsible organization, the Company strongly advocates cultural diversity by rotating talent across the globe within International Paper and nurtures them through best-in-class training & development facilities.

In order to achieve planned growth, each team member is encouraged to perform to potential. The Company embraces flexibility, open mindedness and innovation with

the result, individuals and teams find a new solution, an innovative logistics answer or a bold marketing idea.

There has been a visible qualitative improvement with change in approach and thought process. In a positive work environment, the operating teams have been able to promise and perform to meet expectations.

The decentralized professional management structure is fully empowered. The Company stands revitalized today and the employees remain encouraged with the market opportunities and ready for business challenges.

Training in safety practices, enhancing operations and providing practical proposals have gone a long way towards improving occupational safety. IP APPM strives to achieve a zero incident rate since it attaches great importance to safety of its employees. Potential risks have been identified by critical task observation and suitable control measures developed.

At year end, the Company had 2,070 employees.

OUTLOOK

IP APPM has created a platform for sustainable growth while working with the core priorities. Despite the competitive challenges in the external environment, the team at IP APPM is committed to making sure that the present momentum is maintained in the future as well.

In order to create a vibrant organization that works for sustainable growth, considerable up-gradation has been done to the systems and processes to enhance safety, productivity, performance and accountability; significant investment has been made in people development, operational excellence, customer contact and sustainable solutions; increased employee engagement; considerable work done to become a low cost producer; improved manufacturing reliability levels; and overall created a winning organization. All of these are being put together to make IP APPM an increasingly better and a more competitive company.

The near-term priority will be to ensure the highest standards of people safety, invest in talent development, continue to strive for sustainability of forests, increase volume and revenue, ramp up production and productivity, become cost competitive and enhance profitability.

The results are beginning to show. The Company is performing better on all fronts and has been expanding its operational efficiency across the value chain to gain the competitive edge. The focus continues to be on safety, customer support excellence, product development, supply chain management, quality control, OME, strategic market alliances and volume expansion.

With the expected increase in GDP, paper industry can look forward to traction in demand. At IP APPM, the endeavour is to grow better than the market and given the improvements in the internals, the outlook is promising.

Management of Risks

Risks and uncertainties are an inherent part of every business, and yet it is important to identify the risks and take proactive steps to mitigate and minimize them. IP APPM identifies and evaluates risks as early as possible and limits business losses by taking suitable measures. The Company aims to avoid risks that pose a threat to its sustainable growth.

IP APPM understands that risks can negatively impact fruition of both short-term operational and long-term strategic goals. Risk management is a part of the Company's business planning and controlling process.

The Company operates a framework created in line with its parent organization, customizing to fit into the local requirement, through which financial risks have been identified based on their severity. These risks are identified on a continuous basis through business process studies, internal audits, financials reviews etc. IP APPM understands certain inherent financial risks which are imperative due to the environment in which it operates.

Depending on the dynamics and severity, risks are documented and prioritized for assessment of their impact. Various financial risks such as credit risks, treasury risks, finance transactional risks, reporting risks are measured vis-à-vis regulatory risks. Compliance risks are embedded into IP APPM's overall enterprise risk framework depending on their severity and are reviewed for their impact on the business objectives of the Company.

IP APPM proactively manages finance risks to maintain prudent operations. These risks are classified as short to medium to long depending upon their impact and remedial options. They are reported and reviewed at appropriate managerial level. Depending upon severity of such risks, they are further reported to the Audit Committee and Board of Directors as applicable. IP APPM effectively uses management reporting tools to report material financial risks at appropriate levels.

The following factors are considered for determining the materiality:

- Some events may not be material individually but may be found material collectively;
- Some events may have material impact qualitatively instead of quantitatively;
- Some events may not be material at present but may have material impact in future.

The industry specific risks are broadly discussed below:

RAW MATERIALS

The paper industry requires a sustainable supply of wood to survive and flourish. Wood accounts for more than 25% of the cost of production. Any threat in supplies would adversely affect the survival of the paper industry.

At IP APPM, the availability of raw material is given foremost priority. Every possible effort is made to encourage land owners in the vicinity of the mill to grow more than twice the number of trees than that are required. They are also counselled on nurturing the trees so that availability is guaranteed.

Subabul, Casuarina and Eucalyptus are the three varieties majorly used by IP APPM as raw materials for paper production. They are natural resources, and therefore are not taken for granted.

The quality of products and customers' acceptance depends on the quality of raw materials and IP APPM's ability to deliver in a timely manner. It is imperative therefore

that availability of the key raw material is ensured, in the required quantities, of the specified quality/standard/specification for uninterrupted production processes.

The risk is being mitigated by encouraging environment friendly farm forestry practices and assisting land owners to cultivate trees on fallow wastelands.

For over two decades now, IP APPM has catalyzed the generation of raw materials in its catchment area through farm/social forestry. The Company ensures conservation and regeneration of natural resources, helps farmers to create sustainable income streams and in the process, protects adequate availability of quality raw materials for paper manufacture. These arrangements have been working satisfactorily in the past and IP APPM has been procuring the required raw material in sufficient quantities at competitive rates.

The Company endeavors to ensure raw material security while enabling the farmers to avail remunerative prices, thus creating a sustainable future.

GENERAL ECONOMIC FACTORS

Adverse business developments could have a negative effect on the demand for paper products, financial conditions and results of operation. The paper industry has a positive correlation to economic development and lower GDP growth could affect business fortunes.

Global pressures notwithstanding, the Indian economy is expected to grow much higher than the world average and report a GDP growth of around 7.4% in 2017-18. Despite the digitalization trend, the paper industry will benefit from the stimulus packages and investment in education being made by the Union Government. Higher literacy and aspiration levels of the people are expected to further increase the rate at which the paper industry is growing.

CYCLICALITY OF INDUSTRY

Cyclical demand for paper could have an adverse impact on sales. The reduction in sale prices will affect IP APPM's operations. The cyclicality of the business could depress margins or growth.

Demand for paper is cyclical. The industry's performance depends on the global pulp and paper demand-supply situation. IP APPM derives its revenue from sale of quality paper and has de-risked its business by being an integrated manufacturer. This ensures that the production costs are competitive.

More significant, IP APPM has continuously rationalized and strived to improve efficiencies to lower its costs, added to its scale of operations and stepped up its volume of value-enhancing products. Efforts are being made to scale up the operating leverage as well as by lowering the fixed costs per ton of paper to protect margins.

HEIGHTENED COMPETITION IN THE INDUSTRY

There is increased competition from manufacturers and addition to capacities by many of them will add to pressures in the market. It's a highly competitive field with several peers seeking to improve their market presence.

Paper consumption would continue to increase with the GDP. The paper industry experience shows increase in consumption by one kg per capita would lead to an increase in demand of 1 million metric ton. Demand increase can benefit all industry participants, although there is no assurance that the gains will be shared by all the players equally.

IP APPM has grown into one of the most competitive producers of pulp and paper, and with its product development, investment in quality and branding, the Company retains a significant competitive edge in the market. IP APPM has been recognized for the

branding and quality of its grades and the newly introduced varieties have been received well by the market. Leadership positions in terms of product quality have been earned over the decades in some of the key segments such as cut-size and high-grade writing and printing papers and the Company is rated amongst the top three in terms of quality in almost all its product segments.

PRODUCT SUBSTITUTION

Paper enjoys a unique position with as a recyclable, renewable, low cost product with really no low cost substitution threat. However, the electronic medium has reduced the archiving needs that were met by lower grades of paper which could impact demand pull within the cream wove category.

Per capita consumption of paper in India currently stands at 10 kgs. This is low compared to average global standards of 57 kgs and can only grow as knowledge and literacy levels increase and aspiration and quality of life improves.

Growth in demand and consumption of both lower and high-grade writing and printing papers has outpaced the threats with higher usage in the copier and stationery segments. IP APPM sees no threat in the short and medium term within its product categories since all of them are growing, especially given the low base in paper usage and consumption.

TECHNOLOGY

The best in the industry use state-of-the-art technology and achieve multiple objectives including enhanced productivity, high-end quality and compliance with environmental norms. This initiative will remain the industry standard to stay globally competitive. Failure to keep pace with production technology can lower the competitive edge indigenously and globally.

As an International Paper owned company, IP APPM believes in conserving natural resources and benchmarks itself with the best in the global paper industry. Efforts are ongoing to enhance its processes and optimize on resources to meet the needs of the market. The Company is committed to consistently reduce its cost of production by adopting the latest in technology while improving the quality of its end product.

UTILITIES

The paper industry needs large quantities of power, fuel and water to operate. Lack of availability of any of these utilities can add to the cost sensitivities of the industry.

IP APPM has minimized its risk by investing in a recovery boiler, a coal fired boiler and a 34MW turbine that supplements the power drawdown from the grid. Availability and quality of coal supplies have improved. The Company salvages the residual lignin in wood in its pulping process to fire the boiler and hence uses every part of the wood. IP APPM has considerably reduced its need for fossil fuels and made adequate plans to protect its needs.

There is adequate availability of coal for IP APPM as the Company has ties with producers such as Singareni Collieries and Mahanadi Coalfields Limited for uninterrupted supplies.

Unit:Rajahmundry is adjacent to the River Godavari which has copious availability of water. Yet, the mill has invested in suitable processes to recycle water and strives to conserve the use of precious natural resource. As far as possible, the Company recycles water and, more important, minimizes wastages. Over the years, IP APPM has been consistently reducing energy and water costs per MT of product manufactured.

EXCHANGE RATE

Currency exchange rates could undergo changes with the Indian rupee turning volatile for most part of the year. This could have a potential impact on the export earnings of the Company.

IP APPM is conscious and watchful of the rupee's movements. Hedging is done wherever necessary and forward covers are taken to protect the Company's interests. The Company is also conservative in booking the unfavorable impact of exchange fluctuations as soon as the impact is determined. Prudential accounting norms are followed in line with the Accounting Standards.

INTEREST RATE

The Company's operations are subject to high working capital requirements. Inability to obtain and/or maintain sufficient cash flow, credit facilities and other sources of funding, in a timely manner, could adversely affect operations, financial condition and profitability. Interest rate risk resulting from changes in prevailing market rates can cause an impact on the financials of the Company.

IP APPM's financial instruments comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from operations. The principal risk arising from the Company's financial instruments is liquidity and interest rate risk.

Risks from cash flow fluctuations are recognized in a timely manner as part of the liquidity planning. Receivables from customers as at March 31, 2017 were under control at 19 days. The debt:equity ratio was 0.74:1 as at the balance sheet date on March 31, 2017.

On an on-going basis, the Company finances its operations through a mix of retained profits and borrowings from financial institutions and banks.

Borrowings are at both fixed and floating rates of interest. The Company's operations are principally financed by floating rate borrowings whereas significant investments are generally financed through fixed rate borrowings.

IP APPM is conscious of the dynamics of the market, and has taken effective steps to not only reduce costs and improve margins but also be in a position to report higher post tax profits. Generating free cash flow will remain a priority.

ENVIRONMENT

The pulp and paper industry has a commitment to the environmental protection, and it would be essential to remain sensitive to the needs of the planet.

As a responsible corporate citizen, IP APPM has hugely minimized the impact of mill operations by taking a proactive role. The Company encourages planting twice the number of trees than it harvests and reduces water consumption year after year.

The latest technology has been adopted for elemental chlorine-free bleaching of pulp and recycling of water.

Efficiency of the effluent treatment plant has been improved with diffused aeration system and by installing a cooling tower.

IP APPM installed a Non-Condensable Gases (NCG) system, both for the collection and incineration of high volume low concentration and low volume high concentration gases. This has made the mill and surrounding environment odor free. IP APPM also installed high efficiency ESPs to contain suspended particulate matter to less than 50 ppm.

Several such initiatives have been taken to ensure IP APPM meets high standards much before the standards are laid down or implemented by all regulatory authorities.

Report on Corporate Governance

1. Company's philosophy on Code of Governance

The Company's philosophy on Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of the business and to meet its obligations to the stakeholders. The Company firmly believes that practice of Corporate Governance *inter alia* should aim at meeting the aspirations of the stakeholders and the expectations of the society at large. Accordingly, the Company believes in and has consistently practiced good Corporate Governance. In pursuance of this philosophy, the management adheres to transparency, professionalism and accountability in performance of its role.

2. Board of Directors

a. Composition of Board

As on March 31, 2017, the Company has 10 Directors with one Chairman & Managing Director. Of the 10 Directors, 5 are Independent Non-Executive Directors, 4 are Non-Executive Directors and one Executive Director.

b. Attendance of each Director at the meeting of the Board of Directors held during the financial year, last Annual General Meeting (AGM) and the number of other Board of Directors or Committees in which a director is a member or chairperson:

Name	Category of Directorship	Attendance Particulars		No. of other directorships[1]	Committee[2]	
		No. of Board Meetings	Last A.G.M.		Member ships	Chair Person ships
Mr. Rampraveen Swaminathan (Chairman & Managing Director)[3]	Executive Director	5	Yes	–	–	–
Mr. Thomas G. Kadien	Non-Executive Director	5	Yes	–	–	–
Ms. Shiela P. Vinczeller	Non-Executive Director	4	Yes	–	–	–
Ms. Ann Barbara Wrobleski[4]	Non-Executive Director	3	Yes	–	–	–
Mr. W. Michael Amick Jr.[5]	Non-Executive Director	–	N.A.	–	–	–
Mr. Donald P. Devlin[6]	Non-Executive Director	1	N.A.	–	–	–
Mr. M.S. Ramachandran	Independent Non-Executive Director	5	Yes	6	3	1
Ms. Ranjana Kumar	Independent Non-Executive Director	3	No	3	1	–
Mr. Adhiraj Sarin	Independent Non-Executive Director	5	Yes	1	–	–
Mr. Milind Sarwate	Independent Non-Executive Director	4	Yes	6	3	5
Mr. Praveen P. Kadle	Independent Non-Executive Director	1	No	9	2	1

1 Excluding foreign companies, private limited companies and Companies under Section 8 of the Companies Act, 2013.

2 Membership/chairpersonship of only the Audit Committee and Stakeholders Relationship Committee have been considered.

3 Resigned from the Board of Directors with effect from close of office hours of April 27, 2017.

4 Resigned from the Board of Directors with effect from December 31, 2016.

5 Appointed as Non-Executive Director with effect from January 18, 2017.

6 Appointed as Non-Executive Director with effect from February 22, 2017 and as Chairman & Managing Director with effect from April 28, 2017.

c. No. of meetings of the Board of Directors held and dates on which held

During the financial year five meetings of Board of Directors were held on April 22, 2016; July 27, 2016; October 26, 2016; January 18, 2017 and February 22, 2017.

d. The Directors are unrelated to each other except as members of the Board.

e. None of the Non-Executive Directors holds equity shares and convertible instruments of the Company.

f. The details of Familiarization Programme are placed on the Company's website viz., www.ipappm.com.

3. Audit Committee

Brief description of terms of reference of Audit Committee as per the Charter approved by the Board:

a. Terms of reference

i. Oversight of the Company's financial reporting process and disclosure of its financial information to ensure accuracy and correctness;

ii. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

iii. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

iv. Discussion and review, with the management and auditors, of the annual/quarterly financial statements before submission to the Board, with particular reference to the following:

- Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
- Changes, if any, in accounting policies and practices and reasons for the same;
- Major accounting entries involving estimates based on the exercise of judgment by management;
- Significant adjustments made in the financial statements arising out of audit findings;
- Compliance with listing and other legal requirements relating to financial statements;
- Disclosure of any related party transactions;
- Qualifications in the draft audit report;

v. Review the functioning of the whistle blower mechanism;

vi. Evaluation of internal financial controls and risk management systems.

b. Composition of Audit Committee

As a part of good corporate governance, the Company rotates the Chairman of Committees at regular intervals as rotation can provide a practical way to refresh and introduce new perspectives to Committee processes. Accordingly, the Board at their meeting held on July 27, 2016 appointed Mr. Praveen P. Kadle as Chairman of Audit Committee in place of Mr. Milind Sarwate with effect from July 28, 2016 and the Composition of Audit Committee as on March 31, 2017 is as follows:

Name	Category	Designation
Mr. Praveen P. Kadle	Independent Non-Executive Director	Chairperson
Mr. Milind Sarwate	Independent Non-Executive Director	Member
Mr. Adhiraj Sarin	Independent Non-Executive Director	Member
Mr. Thomas G. Kadien	Non-Executive Director	Member
Mr. Rampraveen Swaminathan	Executive Director	Member

All members of Audit Committee are financially literate and Mr. Milind Sarwate and Mr. Praveen P. Kadle have accounting and related financial management expertise.

c. Meetings and attendance during the year

During the financial year, four meetings of Audit Committee were held on April 22, 2016; July 26, 2016; October 25, 2016 and January 13, 2017.

The details of the meetings attended by the Members are given below:

Name	Number of Meetings held	Number of Meetings attended
Mr. Praveen P. Kadle	4	1
Mr. Milind Sarwate	4	4
Mr. Adhiraj Sarin	4	4
Mr. Thomas G. Kadien	4	4
Mr. Rampraveen Swaminathan	4	4

Mr. C. Prabhakar, Sr. Vice President (Corporate Affairs) & Company Secretary acts as the Secretary to the Committee.

4. Nomination and Remuneration Committee

Brief description of terms of reference of Nomination and Remuneration Committee as per the Charter approved by the Board:

a. Terms of reference

- Identifying the persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance;

  The expression 'Senior Management' means the personnel of the Company who are members of its Core Management Team excluding the Board of Directors, comprising all members of management one level below the Executive Directors including the functional heads;

- Formulating criteria for determining the qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees;

- Devise a policy on Board diversity;

- Recommending the remuneration of Managerial Personnel viz. Managing Director or Whole-time Director.

b. Composition of Nomination and Remuneration Committee

The composition of Nomination and Remuneration Committee as on March 31, 2017 is as follows:

Name	Category	Designation
Mr. Adhiraj Sarin	Independent Non-Executive Director	Chairperson
Mr. M.S. Ramachandran	Independent Non-Executive Director	Member
Ms. Shiela P. Vinczeller	Non-Executive Director	Member
Mr. Rampraveen Swaminathan	Executive Director	Member

c. Meetings and attendance during the year

During the financial year, four meetings of Nomination and Remuneration Committee were held on April 21, 2016; October 26, 2016; January 18, 2017 and February 22, 2017.

Name	Number of Meetings held	Number of Meetings attended
Mr. Adhiraj Sarin	4	4
Mr. M.S. Ramachandran	4	4
Ms. Shiela P. Vinczeller	4	3
Mr. Rampraveen Swaminathan	4	4

d. Performance evaluation criteria for independent directors

The Board of Directors evaluates the performance of independent directors on yearly basis in terms of provisions of Code of Independent Directors.

5. Remuneration of Directors

a. All pecuniary relationship or transactions of the Non-Executive Directors

The details of sitting fees and commission (relating to financial year 2015-16) paid to the Non-Executive Directors during the financial year ended March 31, 2017 were as follows:

In ₹ Lakhs

Name	Sitting Fees	Commission	Total*
Mr. M.S. Ramachandran	9.50	9.22	18.72
Ms. Ranjana Kumar	5.25	9.22	14.47
Mr. Adhiraj Sarin	11.00	9.22	20.22
Mr. Milind Sarwate	7.00	9.22	16.22
Mr. Praveen P. Kadle	1.75	9.22	10.97
TOTAL	**34.50**	**46.10**	**80.60**

*Excluding applicable taxes

b. Criteria of making payments to Non-Executive Directors

The Board of Directors at its meeting held on July 22, 2014 approved to pay Non-Executive Directors a sitting fees of ₹1,00,000 per meeting for attending the Board Meeting and ₹75,000 per meeting for attending the Committees of Board with effect from July 1, 2014.

c. Disclosure with respect to remuneration

In terms of Special Resolution passed by the Members at the 51st Annual General Meeting held on August 27, 2015, Performance Incentive of ₹53.00 Lakhs was paid to Mr. Rampraveen Swaminathan during the financial year ended March 31, 2017.

No other element of remuneration package is paid to the Non-Executive Directors except payment of sitting fees and commission on profits relating to financial year 2015-16.

The contract with Executive Director is terminable by giving six months notice on either side.

The Company did not issue any stock options during the year.

6. Stakeholders Relationship Committee

a. Ms. Ranjana Kumar, Non-Executive Independent Director is the chairperson of Stakeholders Relationship Committee besides Mr. Rampraveen Swaminathan, Executive Director as Member.

During the financial year, the Stakeholders Relationship Committee met on January 17, 2017.

b. The Board designated Mr. C. Prabhakar, Sr. Vice President (Corporate Affairs) & Company Secretary as Compliance Officer.

c. The details of the status of complaints received from the shareholders during the financial year ended March 31, 2017 are furnished below:

No. of shareholders' complaints received during the financial year	9
No. of complaints solved to the satisfaction of shareholder	9
No. of complaints not solved to the satisfaction of shareholder	Nil
No. of pending complaints as on March 31, 2017	Nil

7. General Body Meetings

a. The location and time of the last three Annual General Meetings held

Year ended	Date and time	Venue
March, 2014	August 27, 2014 at 11.30 a.m.	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103
March, 2015	August 27, 2015 at 11.30 a.m.	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103
March, 2016	July 27, 2016 at 12.00 Noon	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103

b. Special Resolutions passed in the previous three Annual General Meetings

Date	Description of Special Resolutions passed
August 27, 2014	1. Borrowing of moneys in excess of the aggregate of the paid up share capital and free reserves of the Company; 2. Creation of mortgage and/or charge and/or hypothecation on movable and/or immovable properties of the Company.
August 27, 2015	1. Adoption of new Articles of Association of the Company; 2. Appointment of Mr. Rampraveen Swaminathan as Chairman & Managing Director; 3. Approval for entering into transactions with IP India Foundation, a Wholly Owned Subsidiary Company, under Section 188 of the Companies Act, 2013.
July 27, 2016	Nil

c. No special resolution was passed through postal ballot during the financial year ended March 31, 2017. However, all resolutions were passed through E-voting and poll at the 52nd Annual General Meeting of the Company held on July 27, 2016.

d. At present, no special resolution is proposed to be conducted through postal ballot. The procedure laid down in Companies (Management and Administration) Rules, 2014 would be followed as and when necessary.

8. Means of Communications

Quarterly, half-yearly and annual financial results are usually published in Business Line (English Version) and vernacular regional newspaper viz. Andhra Prabha. The results are placed on the Company's website: www.ipappm.com.

Official news releases are being displayed on the website of the Company. Presentations are proposed to be made to media, analysts, institutional investors etc.

9. General Shareholder Information

a. Date, Time and Venue of Annual General Meeting

	Date & time	Venue
53rd Annual General Meeting	July 25, 2017 at 12:00 noon	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103, East Godavari District, Andhra Pradesh, India

b. Financial calendar - (Tentative and subject to change)

Financial year: April 1, 2017 to March 31, 2018

Particulars	Period ended	On or before
Unaudited Financial Results for the quarter ending	June 30, 2017	August 14, 2017
Unaudited Financial Results for the quarter ending	September 30, 2017	November 14, 2017
Unaudited Financial Results for the quarter ending	December 31, 2017	February 14, 2018
Audited Financial Results for the year ending	March 31, 2018	May 30, 2018
Annual General Meeting for the year ending	March 31, 2018	September 30, 2018

c. Date of payment of Dividend (If any)

Not applicable since the Board did not recommend declaration of dividend.

d. Listing on stock exchanges

BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	National Stock Exchange of India Limited (NSE) 'Exchange Plaza' Bandra-Kurla Complex Bandra (East), Mumbai - 400 051

In April 2017, the Company paid the annual listing fees for the financial year 2017-18 to BSE and NSE.

e. Stock Code

BSE	502330
NSE	Symbol: IPAPPM Series: EQ
ISIN (for Dematerialization)	INE435A01028

f & g. The details of monthly high and low quotations of the equity shares of the Company traded on the stock exchanges are given below:

a. BSE

Month		Share price ₹		BSE Sensex	
		High	Low	High	Low
2016	April	318.35	282.30	26100.54	24523.20
	May	311.40	286.00	26837.20	25057.93
	June	317.10	282.15	27105.41	25911.33
	July	344.00	296.00	28240.20	27034.14
	August	313.80	280.00	28532.25	27627.97
	September	314.55	280.00	29077.28	27716.78
	October	349.00	289.35	28477.65	27488.30
	November	327.00	272.00	28029.80	25717.93
	December	321.60	284.85	26803.76	25753.74
2017	January	355.00	292.00	27980.39	26447.06
	February	339.00	313.30	29065.31	27590.10
	March	336.00	305.55	29824.62	28716.21

b. NSE

Month		Share price ₹		NIFTY 50	
		High	Low	High	Low
2016	April	322.00	282.00	7992.00	7516.85
	May	311.40	286.00	8213.60	7678.35
	June	315.65	281.10	8308.15	7927.05
	July	344.00	298.00	8674.70	8287.55
	August	314.60	281.25	8819.20	8518.15
	September	314.95	279.35	8968.70	8555.20
	October	349.00	290.00	8806.95	8506.15
	November	328.00	270.00	8669.60	7916.40
	December	322.90	284.95	8274.95	7893.80
2017	January	355.00	293.90	8672.70	8133.80
	February	339.70	313.95	8982.15	8537.50
	March	337.90	306.40	9218.40	8860.10

h. The securities of the Company are not suspended from trading during the financial year ended March 31, 2017.

i. Registrar and Share Transfer Agent

Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda, Serilingampally
Hyderabad - 500 032
Toll Free No. (India) 1800 4250 999
Phone : +91 40 6716 1500
Fax : +91 40 2342 0814
Email : einward.ris@karvy.com
Contact Person: Mr. Praveen Chaturvedi, General Manager

j. Share Transfer System

The share transfers are being approved by the authorized persons as per the delegation of powers by the Board, in every 10 days. The average time taken for registering the share transfers is approximately 10 days from the date of receipt of valid request.

k. Distribution of Equity Shareholding as on March 31, 2017

Nominal value of equity shares ₹	Shareholders		Value	
	Number	%	₹	%
1 - 5000	10,842	88.63	11,656,320	2.93
5001 - 10000	654	5.35	5,026,720	1.26
10001 - 20000	339	2.77	4,974,890	1.25
20001 - 30000	120	0.98	3,066,610	0.77
30001 - 40000	62	0.51	2,233,580	0.56
40001 - 50000	42	0.34	1,943,210	0.49
50001 - 100000	84	0.69	5,902,880	1.49
100001 and above	89	0.73	362,896,180	91.25
TOTAL	**12,232**	**100.00**	**397,700,390**	**100.00**

Category of equity shareholders as on March 31, 2017

Category	No. of shares held	%
A. Foreign promoter	29,827,529	75.00
B. Public shareholdings		
1. Institutional investors		
a. Mutual funds, foreign portfolio investors, financial institutions/banks, insurance companies	1,281,096	3.22
b. Foreign banks	150	0
Sub-total	1,281,246	3.22
2. Non-institutions		
a. Indian public	7,077,571	17.80
b. NBFC registered with RBI	122,846	0.31
c. Bodies corporate	1,346,344	3.39
d. Non-Resident Indians	83,726	0.21
e. Clearing members	12,844	0.03
f. Trusts	17,933	0.04
Sub-total	8,661,264	21.78
Total public shareholding (1+2)	9,942,510	25.00
Total (A+B)	**39,770,039**	**100.00**

l. Dematerialization of shares as on March 31, 2017

Depository name	No. of shares dematerialized	Percentage on equity share capital
National Securities Depository Limited	37,658,643	94.69
Central Depository Services (India) Limited	1,776,926	4.47
Total dematerialized shares	39,435,569	99.16

m. No GDRs, ADRs/warrants/convertible instruments have been issued by the Company during the year.

n. Commodity price risk or foreign exchange risk and hedging activities: Furnished as part of the Board's Report in page 23 and under the head 'Management of Risks' in pages 58 to 61.

o. Plant Locations

Unit: Rajahmundry	Unit: Kadiyam
Rajahmundry - 533 105 East Godavari District Andhra Pradesh, India	Industrial Area, Near Kadiyam Railway Station, M.R.Palem - 533 126, Kadiyam Mandal, East Godavari District, Andhra Pradesh, India

p. Address for Correspondence from shareholders

Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad - 500 032, Telangana, India	Secretarial Department International Paper APPM Limited Rajahmundry - 533 105 East Godavari District, Andhra Pradesh, India

q. Email IDs for investor grievance redressal:

1. nagendrarao.mittapalli@ipaper.com
2. ashok.yaramaneni@ipaper.com

10. Other Disclosures

a. Disclosure on materially significant related party transactions

During the financial year, there were no materially significant related party transactions that have potential conflict with the interests of the Company at large. The Policy on Related Party Transactions is posted on the Company's website viz. www.ipappm.com.

b. Details of non-compliance by the Company

There were no penalties, strictures imposed on the Company by the stock exchanges or SEBI or any statutory authority, on any matter related to capital markets during the last three years.

c. Whistle Blower Policy

The Company has formulated Whistle Blower Policy and established a mechanism for directors and employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism provides for adequate safeguards against victimization of director(s)/employee(s) who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The Whistle Blower Policy is posted on the Company's website viz. www.ipappm.com

d. Details of compliance with mandatory requirements and adoption of non-mandatory requirements

The Company has complied with all mandatory requirements specified in Regulation 17 to 27 and clauses of (b) to (i) of Regulation 46 (2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has also adopted the following non-mandatory requirements of (1) of Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

1. **Shareholder Rights:** Half-yearly and other quarterly financial statements are published in newspapers and also posted on Company's website www.ipappm.com.
2. **Audit Qualifications:** The Company is already in the regime of unqualified financial statements. Auditors have raised no qualification on the financial statements of the current financial year;
3. **Reporting of Internal Auditor:** External consultancy firm was appointed as Internal Auditor of the Company which has direct access to the Audit Committee.

11. Code of Conduct for Directors and members of senior management

The Company adopted a Code of Business Conduct and Ethics for its Directors and members of senior management. The Code has also been posted on the Company's website: www.ipappm.com. The Chairman & Managing Director has given a declaration that all the Directors and members of senior management have affirmed compliance with the Code of Conduct.

12. CEO/CFO Certification

A certificate duly signed by Chairman & Managing Director and CFO relating to financial statements and internal controls and internal control systems for financial reporting as per the format provided in Regulation 17(8) of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 was placed before the Board and was taken on record.

13. Equity shares in the Unclaimed Shares Demat Suspense Account

In terms of Regulation 39 (4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company opened a demat account and dematerialized the unclaimed shares. The Company is maintaining the details of shareholding of each individual allottee whose shares are credited to the Unclaimed Shares Demat Suspense Account.

The particulars of shares in 'International Paper APPM Limited - Unclaimed Shares Demat Suspense Account' as on March 31, 2017 are as follows:

	Number of shareholders	No. of equity shares
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Shares Demat Suspense Account at the beginning of the year	5	121
Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Shares Demat Suspense Account during the year	–	–
Number of shareholders to whom shares were transferred from the Unclaimed Shares Demat Suspense Account during the year	–	–
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Shares Demat Suspense Account as on March 31, 2017	5	121

The voting rights on the shares outstanding in the suspense account shall remain frozen till the rightful owners of such shares claim the shares.

Declaration by the Managing Director & CEO

The Members of
International Paper APPM Limited

In compliance with the Regulation 34 (3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, I confirm that, on the basis of confirmations/declarations received, all the Members of the Board of Directors and senior management personnel of the Company have complied with the Code of Business Conduct and Ethics framed by the Company for the financial year ended March 31, 2017.

Hyderabad
May 17, 2017

Donald P. Devlin
Chairman & Managing Director

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Certificate

To the Members of
International Paper APPM Limited
(Formerly The Andhra Pradesh Paper Mills Limited)

We have examined the compliance of conditions of Corporate Governance by International Paper APPM Limited (Formerly known as The Andhra Pradesh Paper Mills Limited) ('the Company'), for the year ended on March 31, 2017, as stipulated in Regulation 15(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, by the Directors, officers and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **D.HANUMANTA RAJU & CO**
Company Secretaries

CS D. HANUMANTA RAJU
Partner
FCS: 4044, CP NO: 1709

Hyderabad,
April 13, 2017

Independent Auditor's Report

TO THE MEMBERS OF
INTERNATIONAL PAPER APPM LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of International Paper APPM Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

Attention is invited to Note 42 (a) of the financial statements regarding the ongoing litigation with respect to the levy of electricity duty by the State Government on consumption of electricity by captive generating units and the interim orders of the Hon'ble Supreme Court of India on hearing the Special Leave Petition filed by the Company, in respect of which the Company has on grounds of prudence and abundant caution made a provision amounting to ₹2,357.43 lakhs during the year, in view of the inherent uncertainty in predicting the final outcome of the above litigation. Additionally, an amount of ₹1,571.62 lakhs has been disclosed as contingent

liability. Based on the legal advice obtained, in the opinion of the Management no further provision would be required in relation to this disputed matter.

Our opinion is not modified in respect of this matter

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit, we report that:

    a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

    d. In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.

    e. On the basis of the written representations received from the directors as on March 31, 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act.

    f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

    g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

        i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements;

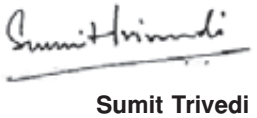
        ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

        iv. The Company has provided requisite disclosures in the financial statements as regards to its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government in terms of Section 143(11) of the Act, we give in 'Annexure B' a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 008072S)



Sumit Trivedi
Partner
(Membership No. 209354)

Hyderabad
April 25, 2017

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of International Paper APPM Limited ('the Company') as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

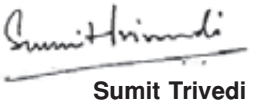
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility

of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial controls over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 008072S)



Sumit Trivedi
Partner
(Membership No. 209354)

Hyderabad
April 25, 2017

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

b. The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

c. According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed/transfer deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

(ii) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals and no material discrepancies were noticed on physical verification.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

(iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013.

(vi) The maintenance of cost records has been specified by the Central Government under Section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government under sub-section (1) of the Section 148 of the Companies Act, 2013 and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We

have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) According to the information and explanations given to us, in respect of statutory dues:

a. The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it with the appropriate authorities.

b. There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.

c. Details of dues of Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty and Value Added Tax which have not been deposited as on March 31, 2017 on account of disputes are given below:

Name of statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ Lakhs)	Amount unpaid (₹ Lakhs)
Income Tax Act,1961	Tax	Commissioner of Income Tax (Appeals), Visakhapatnam	2010-11 and 2011-12	524.87	524.87
		Deputy Commissioner of Income Tax (TDS), Hyderabad	2009-10	19.96	19.96
		High Court of Andhra Pradesh	2001-02 to 2003-04	12.64	12.64
		Income Tax Appellate Tribunal, Hyderabad	2001-02	14.26	14.26
			2008-09	40.08	40.08
		Income Tax Office, TDS, Rajahmundry	2008-09	2.12	2.12
			2010-11	1.78	1.78
	Interest	High Court of Andhra Pradesh	1979-80	24.96	24.96
Central Sales Tax Act, 1956	Tax	Appellate Deputy Commissioner, Visakhapatnam	2008-09	21.54	21.54
		Sales Tax Appellate Tribunal, Visakhapatnam	2005-06	33.82	16.91
Andhra Pradesh General Sales Tax Act, 1957 & Central Sales Tax Act, 1956	Tax	Sales Tax Appellate Tribunal, Visakhapatnam	1995-96 to 1999-2000	27.41	27.41
Andhra Pradesh General Sales Tax Act, 1957	Tax	High Court of Andhra Pradesh	1990-99, 2000-01 to 2004-05	126.78	126.78
		Sales Tax Appellate Tribunal, Visakhapatnam	1996-97	10.82	6.57
AP Value Added Tax Act, 2005	Penalty	Assistant Commissioner, LTU, Kakinada	2009-12	1.81	1.77
	Tax	Sales Tax Appellate Tribunal, Visakhapatnam	2009-12	23.66	23.66
		Appellate Deputy Commissioner, Visakhapatnam	2009-10 and 2014-15	214.44	108.56
Madhya Pradesh Value Added Tax Act, 2002	Tax	High Court, Madhya Pradesh	1997-98	15.00	15.00

Contd.

Name of statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ Lakhs)	Amount unpaid (₹ Lakhs)
West Bengal Value Added Tax, 2005	Tax	Additional Commissioner of Commercial Taxes	2009-10	1.78	1.78
Orissa Entry Tax Act, 1999	Tax	Deputy Commissioner of Commercial Taxes	2006-07 to 2009-10	4.24	3.38
Central Excise Act, 1944	Duty	Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2004-05 to 2010-11	624.21	624.21
		Commissioner of Central Excise (Appeals), Visakhapatnam	2008-09 and 2009-10	1.86	1.86
		High Court of Andhra Pradesh	1996-97 and 1997-98	97.40	97.40
			February,1994	0.36	0.36
			2004-05	0.10	0.10
	Duty & Penalty	Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2001 to 2012	2,709.09	2,666.08
		Commissioner of Central Excise (Appeals), Visakhapatnam	2000-01 to 2003-04	542.61	258.66
			1994 - 1995, 2001 - 2002	186.37	86.56
			2015	32.99	32.99
			2006-07 to 2008-09	6.78	6.78
			2010-11 to 2015-16	16.09	16.09
		High Court of Andhra Pradesh	2004-05 to 2007-08	386.66	386.66
	Penalty	Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2003-04 to 2010-11	531.22	531.22
Finance Act, 1994	Service Tax	High Court of Andhra Pradesh	2004-05 and 2005-06	126.50	126.50
	Service Tax & Penalty	Commissioner of Central Excise (Appeals), Visakhapatnam	2004-05 to 2012-13	355.34	355.34
		Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2004-05 to 2008-09	202.81	202.81
			March, 2012	105.11	105.11

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks and government. The Company has not issued any debentures and does not have any borrowings from the financial institutions.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid/ provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

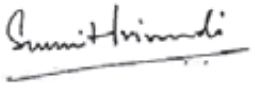
(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding or subsidiary company or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable. The Company does not have an associate company.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 008072S)



Sumit Trivedi
Partner
(Membership No. 209354)

Hyderabad
April 25, 2017

Balance Sheet as at March 31, 2017

(In ₹ Lakhs)	Note	As at March 31, 2017	As at March 31, 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	**3,977.00**	3,977.00
Reserves and surplus	4	**44,247.96**	41,117.39
		48,224.96	45,094.39
Non-current liabilities			
Long-term borrowings	5A	**14,427.62**	30,401.03
Deferred tax liabilities (Net)	6	**13,214.51**	12,088.70
Long-term provisions	8A	**446.38**	295.38
		28,088.51	42,785.11
Current liabilities			
Short-term borrowings	5B	**9,000.00**	14,347.79
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	9	**112.03**	74.53
Total outstanding dues of creditors other than micro enterprises and small enterprises	9	**13,845.19**	15,430.97
Other current liabilities	7	**17,464.33**	7,956.14
Short-term provisions	8B	**3,448.09**	1,090.66
		43,869.64	38,900.09
TOTAL		**120,183.11**	126,779.59
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10A	**78,374.46**	81,364.65
Intangible assets	10B	**554.02**	682.83
Capital work-in-progress		**251.08**	1,713.57
Non-current investments	11	**1,543.37**	1,543.37
Long-term loans and advances	12A	**10,179.52**	7,292.76
Other non-current assets	13A	**20.42**	40.78
		90,922.87	92,637.96
Current assets			
Inventories	14	**18,384.10**	21,370.87
Trade receivables	15	**6,750.83**	7,068.84
Cash and cash equivalents	16	**707.29**	1,014.32
Short-term loans and advances	12B	**2,550.87**	4,470.78
Other current assets	13B	**867.15**	216.82
		29,260.24	34,141.63
TOTAL		**120,183.11**	126,779.59
Corporate information & significant accounting policies	1 & 2		
See accompanying notes forming part of the financial statements			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Sumit Trivedi
Partner

Hyderabad
April 25, 2017

For International Paper APPM Limited

Rampraveen Swaminathan
Chairman & Managing Director

Badrinath Chellappa
Senior Vice President &
Chief Financial Officer

C. Prabhakar
Senior Vice President
(Corporate Affairs) &
Company Secretary

Statement of Profit and Loss for the year ended March 31, 2017

(In ₹ Lakhs)	Note	**Year ended March 31, 2017**	Year ended March 31, 2016
INCOME			
Revenue from operations (Gross)	17	**126,698.24**	121,625.07
Other income	18	**580.16**	645.62
TOTAL REVENUE		**127,278.40**	122,270.69
EXPENSES			
Cost of materials consumed	19	**48,990.97**	50,794.30
Changes in inventories of finished goods, work-in-progress and stock-in-trade	20	**2,394.14**	855.83
Excise duty		**5,858.14**	5,644.12
Employee benefits expense	21	**14,080.09**	12,924.53
Finance costs	22	**3,259.86**	4,029.58
Depreciation and amortization expense	10C	**6,822.79**	7,317.62
Other expenses	23	**38,797.44**	38,338.89
TOTAL EXPENSES		**120,203.43**	119,904.87
Profit before exceptional items and tax		**7,074.97**	2,365.82
Exceptional items (Refer Note 42)		**(2,818.59)**	3,270.65
Profit before tax		**4,256.38**	5,636.47
Tax expense:			
Current tax expense		**913.48**	1,227.06
MAT credit		**(913.48)**	(1,227.06)
Net current tax expense		**–**	–
Deferred tax		**1,125.81**	1,947.16
Net tax expense		**1,125.81**	1,947.16
Profit after tax		**3,130.57**	3,689.31
Earnings per share (Face value of ₹10 each) Basic & Diluted (₹)	29	**7.87**	9.28

Corporate information & significant accounting policies 1 & 2
See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Sumit Trivedi
Partner

Hyderabad
April 25, 2017

For International Paper APPM Limited

Rampraveen Swaminathan
Chairman & Managing Director

Badrinath Chellappa
Senior Vice President &
Chief Financial Officer

C. Prabhakar
Senior Vice President
(Corporate Affairs) &
Company Secretary

Cash Flow Statement for the year ended March 31, 2017

(In ₹ Lakhs)	Year ended March 31, 2017		Year ended March 31, 2016	
A. Cash flow from operating activities				
Profit before tax after exceptional items		**4,256.38**		5,636.47
Adjustments for:				
Depreciation and amortization expense	**6,822.79**		7,317.62	
(Profit)/Loss on sale of fixed assets (Net)	**(27.15)**		54.33	
Finance costs	**3,259.86**		4,029.58	
Interest income	**(30.97)**		(34.75)	
Rental income from operating leases	**(3.67)**		(41.81)	
Bad trade receivables and advances written-off (Net)	**1.67**		23.82	
Liabilities/provisions no longer required written back	**(329.12)**		(427.52)	
Provision for doubtful trade receivables and advances	**21.51**		53.12	
Exceptional Items	**2,818.59**		(3,270.65)	
Net unrealized exchange (gain)/loss	**–**	**12,533.51**	2.10	7,705.84
Operating profit before working capital changes		**16,789.89**		13,342.31
Changes in working capital:				
Adjustments for (increase)/decrease in operating assets:				
Inventories	**2,986.77**		(1,249.72)	
Trade receivables	**318.01**		(718.23)	
Short-term loans and advances	**1,904.50**		(228.59)	
Long-term loans and advances	**(1,848.99)**		116.05	
Other current assets	**(656.74)**		126.91	
Changes in balances held as margin money/security for bank guarantees	**19.50**		(23.06)	
Adjustments for increase/(decrease) in operating liabilities:				
Trade payables	**(1,308.11)**		37.75	
Other current liabilities	**(2,455.25)**		316.95	
Other long-term liabilities	**–**		(0.49)	
Short-term provisions	**2,357.43**		–	
Long-term provisions	**151.00**	**1,468.12**	295.38	(1,327.05)
Cash generated from operations		**18,258.01**		12,015.26
Net income tax paid		**(1,075.83)**		(882.01)
Net cash flow from operating activities (A)		**17,182.18**		11,133.25
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	**(3,051.16)**		(3,960.68)	
Proceeds from sale of fixed assets	**40.94**		93.87	
Bank balances not considered as cash and cash equivalents Matured	**21.04**		–	
Interest received	**38.24**		25.34	
Rental income from operating leases	**3.67**	**(2,947.27)**	41.81	(3,799.66)
Net cash flow used in investing activities (B)		**(2,947.27)**		(3,799.66)

(In ₹ Lakhs)	Year ended March 31, 2017		Year ended March 31, 2016	
C. Cash flow from financing activities				
Proceeds from long-term borrowings	**–**		25,600.00	
Proceeds from short-term borrowings	**18,000.00**		12,000.00	
Net increase/(decrease) in working capital borrowings	**(347.79)**		(5,186.84)	
Repayment of long-term borrowings (including current maturities of the same)	**(5,892.59)**		(33,437.33)	
Repayment of short-term borrowings	**(23,000.00)**		(1,600.00)	
Finance cost	**(3,279.53)**	**(14,519.91)**	(4,116.28)	(6,740.45)
Net cash flow used in financing activities (C)		**(14,519.91)**		(6,740.45)
Net increase/(decrease) in Cash and cash equivalents (A+B+C)		**(285.00)**		593.14
Cash and cash equivalents at the beginning of the year		**962.31**		369.17
Cash and cash equivalents at the end of the year (Refer Note 16)		**677.31**		962.31
Reconciliation of Cash and cash equivalents with the Balance Sheet:				
Cash and cash equivalents (Refer Note 16)		**707.29**		1,014.32
Less: Bank balances not considered as cash and cash equivalents as defined in AS 3 Cash Flow Statements In earmarked accounts (Refer Note below)				
Balances held as margin money or security against gurarantees and other commitments	**26.10**		47.14	
Unpaid dividend accounts	**3.19**		4.12	
Share application money received for allotment of securities and due for refund	**0.69**	**29.98**	0.75	52.01
Cash and cash equivalents at the end of the year (Refer Note 16)		**677.31**		962.31

Note: These earmarked account balances with banks can be utilized only for the specific identified purposes.

See accompanying notes forming part of the financial statements.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Sumit Trivedi
Partner

Hyderabad
April 25, 2017

For International Paper APPM Limited

Rampraveen Swaminathan
Chairman & Managing Director

Badrinath Chellappa
Senior Vice President &
Chief Financial Officer

C. Prabhakar
Senior Vice President
(Corporate Affairs) &
Company Secretary

Notes forming part of the Financial Statements

1. Corporate Information

International Paper APPM Limited ("IPAPPM"/"the Company") is an integrated pulp and paper manufacturer. IPAPPM was incorporated on June 29, 1964. In October 2011, International Paper Company, USA, through IP Holding Asia Singapore Pte. Limited acquired controlling stake in the Company from the erstwhile promoters and public shareholders.

The Company owns and operates two manufacturing units located in the State of Andhra Pradesh, India, one at Rajahmundry and the other at Kadiyam in East Godavari District.

2. Significant accounting policies

a. Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India ('Indian GAAP') to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

b. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known/materialise.

c. Inventories

Inventories are valued at the lower of cost and net realizable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, and receiving charges.

The method of determining cost of various categories of inventories is as follows:

Raw materials (including packing materials)	Weighted average cost.
Stores and spares	Weighted average cost.
Work-in-progress and finished goods (manufactured)	Weighted average cost of production which comprises of direct material costs, direct wages and applicable overheads.
	Excise duty is included in the value of finished goods.
Stock-in-trade	Weighted average cost.

d. Cash and cash equivalents (for purposes of cash flow statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

e. Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

f. Depreciation and amortization

Tangible assets

Depreciation on Buildings is provided on straight-line method as per useful life prescribed in Schedule II of the Companies Act, 2013.

Depreciation on plant and equipment is provided on straight-line method over 10 to 25 years, based on the useful life assessed as per technical assessment, taking into account the nature of asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, maintenance support etc.

Depreciation on components of fixed assets has been provided in accordance with the requirements of Schedule II and the technical assessment as discussed above.

Depreciation on other tangible fixed assets is provided on written down value method as per the useful life prescribed in Schedule II of the Companies Act, 2013.

Leasehold improvements are amortized over the primary period of lease or the estimated useful life of such assets, whichever is shorter. Depreciation is calculated from the first day of the month based on the capitalization date.

Intangible assets

Goodwill arising on amalgamation is amortized over a period of 10 years.

Software is amortized over a period of five years or estimated useful life, whichever is shorter.

Individual assets costing less than or equal to ₹15,000 are depreciated in full in the year of acquisition.

g. Revenue recognition and other income

Revenue from sale of goods is recognized net of returns and applicable trade discounts, when significant risks and rewards of ownership is transferred to the customers. Sales include excise duty but exclude sales tax/value added tax.

Export entitlements are recognized as income when the right to receive credit as per the terms of the related scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Dividend income is recognized when the unconditional right to receive the income is established. Interest Income is recognized on a time proportionate method using underlying interest rates.

Insurance and other claims/refunds are accounted for as and when admitted by appropriate authorities.

h. Property, plant and equipment, intangible assets (Fixed assets)

Tangible/intangible assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes the cost of acquisition/construction, non-refundable taxes, duties, freight, borrowing costs attributable to acquisition of the qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses related to the acquisition and installation of the respective assets. Exchange differences arising on restatement/settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets in accordance with the provisions of para 46/46A of AS11 'The Effects of Changes in Foreign Exchange Rates'.

Fixed assets retired from active use and held for sale are stated at the lower of their net book value and net realizable value and are disclosed separately.

Capital work-in-progress

Projects under which assets are not ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable borrowing costs.

i. Foreign currency transactions

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Exchange differences arising on settlement/restatement of short-term foreign currency monetary assets and liabilities of the Company are recognized as income or expense in the Statement of Profit and Loss.

The exchange differences arising on settlement/restatement of long term foreign currency monetary items are capitalized as part of the depreciable fixed assets to which the monetary item relates and depreciated over the remaining useful life of such assets.

In respect of forward contracts entered into to hedge risks associated with foreign currency fluctuation on its existing assets and liabilities, the premium or discount at the inception of the contract is amortized as income or expense over the period of contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or expense in the period in which such cancellation or renewal is made.

j. Employee benefits

Defined Contribution Plans

Employee benefits in the form of provident fund, superannuation, employees' state insurance fund and labour welfare fund are considered as defined contribution plans and the contributions are charged to the Statement of Profit and Loss during the year when the contributions to the respective funds are due as and when services are rendered by employees.

Provident fund

Eligible employees receive benefits from a provident fund. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. Rajahmundry unit of the Company makes the contributions to 'The Employees' Provident Fund of The Andhra Pradesh Paper Mills Limited' trust maintained by the Company. The rate at which the annual interest is payable to the beneficiaries by the trust, is administered by the government (notified interest rate). The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Company has no further obligations.

Superannuation

Certain employees of the Company are participants in the superannuation plan ('the Plan') which is a defined contribution plan. The Company contributes to the superannuation fund maintained with Life Insurance Corporation of India.

Defined Benefit Plans

The Company's liabilities towards gratuity and compensated absences are determined based on actuarial valuation carried out by an independent actuary using the projected unit credit method as on the date of the balance sheet.

Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the gratuity fund maintained with the insurers. The Company recognizes the net obligation of the Gratuity Plan in the Balance Sheet as an asset or liability, respectively in accordance with Accounting Standard (AS) 15, 'Employee Benefits.' The Company's overall expected long-term rate of return on asset has been determined based on consideration of available market information, current provisions of Indian law specifying the instruments in which investments can be made, and historical returns. The discount rate is based on the government securities yield. Actuarial gain or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Statement of Profit and Loss in the period in which they arise.

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The Company fully contributes all ascertained liabilities to the fund maintained with the insurers. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

k. Borrowing costs

Borrowing costs include interest, amortization of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the statement of profit and loss over the tenure of the loan. Borrowing costs, allocated to and utilized for qualifying assets, pertaining to the period from commencement of activities relating to construction/development of the qualifying asset upto the date of capitalization of such asset is added to the cost of the assets.

l. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease payments under operating lease are recognized as an expense in the Statement of Profit and Loss on a straight line basis over the lease term.

m. Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

n. Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are recognized only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realize such assets. Deferred tax assets are recognized for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realizability.

o. Investments

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments.

Current investments are carried individually, at the lower of cost and fair value. Cost of investments includes acquisition charges such as brokerage, fees and duties.

p. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset/ cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and such reversal of impairment is recognized in the Statement of Profit and Loss.

q. Provisions and contingencies

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

r. Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing/utilizing the credits.

s. Operating cycle

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realization in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

3. Share capital

(In ₹ Lakhs)	As at March 31, 2017		As at March 31, 2016	
	Number of shares	**Amount**	Number of shares	Amount
Authorised				
Equity shares of ₹10 each	**40,000,000**	**4,000.00**	40,000,000	4,000.00
Redeemable cumulative preference shares of ₹100 each	**500,000**	**500.00**	500,000	500.00
TOTAL	**40,500,000**	**4,500.00**	40,500,000	4,500.00
Issued, subscribed and fully paid up				
Equity shares of ₹10 each	**39,770,039**	**3,977.00**	39,770,039	3,977.00
TOTAL	**39,770,039**	**3,977.00**	39,770,039	3,977.00

Notes

i. Reconciliation of the number of equity shares and amount outstanding at the beginning and at the end of the year

	As at March 31, 2017		As at March 31, 2016	
	Number of shares	**Amount**	Number of shares	Amount
As at beginning of the year	**39,770,039**	**3,977.00**	39,770,039	3,977.00
Changes during the year	**–**	**–**	–	–
As at end of the year	**39,770,039**	**3,977.00**	39,770,039	3,977.00

ii. Rights, preferences and restrictions attached to the equity shares

The Company has only one class of issued, subscribed and fully paid up equity shares having a face value of ₹10 each per share. Each holder of equity shares is entitled to one vote per share. The dividend (other than interim dividend) proposed, if any, by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to number of equity shares held by the shareholders.

iii. Equity shares held by the holding company

Name of the shareholder	As at March 31, 2017	As at March 31, 2016
	Number of shares	Number of shares
IP Holding Asia Singapore Pte. Limited[#]	**–**	29,827,529
International Paper Investments (Luxembourg) S.a.r.l.[#]	**21,856,033**	–

[#]The ultimate holding company is International Paper Company, USA.

iv. Details of shares held by each shareholder holding more than 5% of the aggregate shares in the Company

Name of the shareholder	As at March 31, 2017		As at March 31, 2016	
	Number of shares	**%**	Number of shares	%
IP Holding Asia Singapore Pte. Limited	**–**	**–**	29,827,529	75.00
International Paper Investments (Luxembourg) S.a.r.l.	**21,856,033**	**54.96**	–	–
IP International Holdings Inc.	**7,971,496**	**20.04**	–	–

(In ₹ Lakhs)	As at March 31, 2017	As at March 31, 2016
4. Reserves and surplus		
Capital redemption reserve	**598.00**	598.00
Securities premium account	**18,211.13**	18,211.13
General reserve (Refer Note 44)	**28,876.29**	28,876.29
Surplus/(Deficit) in Statement of Profit and Loss		
Opening balance	**(6,568.03)**	(10,257.34)
Add : Profit for the year	**3,130.57**	3,689.31
Closing balance	**(3,437.46)**	(6,568.03)
TOTAL	**44,247.96**	41,117.39
5A. Long-term borrowings*		
Unsecured		
Term loans from banks (Refer Note 1 below)	**12,400.00**	22,000.00
Deferred payment liabilities (Refer Note 2 below)	**2,027.62**	2,350.63
Loan from related parties (Refer Note 3 below)	**–**	6,050.40
TOTAL	**14,427.62**	30,401.03
* Current maturities of long-term debt are disclosed under Note 7 - 'Other current liabilities'		
5B. Short-term borrowings		
Loans repayable on demand from banks		
Secured (Refer Note 4 below)	**2,000.00**	3,000.00
Unsecured (Refer Note 5 below)	**2,000.00**	347.79
Short-term loans (Unsecured)		
From banks (Refer Note 6 below)	**5,000.00**	2,000.00
From others (Refer Note 7 below)	**–**	9,000.00
TOTAL	**9,000.00**	14,347.79

Notes

1. The Company has availed unsecured term loans from banks aggregating to ₹22,000 lakhs (March 31, 2016: ₹22,000 lakhs) outstanding at the year end ₹22,000 lakhs (March 31, 2016: ₹22,000 lakhs). Letter of Comfort has been provided to the banks by International Paper Company, USA, the ultimate holding company. The interest rates of these loans range from 7.95% to 9.30%, which are repayable as under:

   a. Term Loan IA: ₹15,000 lakhs (March 31, 2016: ₹15,000 lakhs) is payable in 6 equal quarterly installments commencing at the end of 21st month ie. September 2017.

   b. Term Loan II: ₹7,000 lakhs (March 31, 2016: ₹7,000 lakhs) is payable after completing moratorium of 18 months and is repayable in 10 equal quarterly installments commencing at the end of 21st month ie. September 2017.

2. Deferred payment liabilities represent sales tax deferral loan availed by the Company, from the Government of Andhra Pradesh and is repayable after a period of 14 years from the end of the financial year of its availment. These are interest free loans. An amount of ₹323.01 lakhs (March 31, 2016: ₹252.28 lakhs) is due within next twelve months and is included under the head 'Current maturities of long-term debts' disclosed under Note 7 - Other current liabilities.

3. a. Unsecured loan availed from International Paper (India) Private Ltd at interest rate of 7.9% aggregating ₹3,600 lakhs during the previous year and outstanding as at March 31, 2016 being ₹3,400 lakhs was fully repaid during the current year.

   b. The Company has availed unsecured foreign currency loan from International Paper Investments (Luxembourg) S.a.r.l. at interest rate of 6 month Libor plus 250 basis points repayable in six half-yearly instalments commencing from June 30,

2015. USD 4 Million equivalent ₹2,594.20 lakhs (March 31, 2016: USD 8 Million equivalent ₹5,300.80 lakhs) is outstanding as on March 31, 2017 which is repayable within next one year and is included under the head 'Current maturities of long-term debts' disclosed under Note - Other current liabilities.

4. Secured loans from banks repayable on demand represents cash credit/buyers credit/export packing credit loan during the year at interest rates ranging from 4.7% to 9.65%. These are secured by hypothecation of current assets of the Company.

5. Unsecured loans from banks repayable on demand represents Working capital demand loans/cash credit/export packing credit loan/Buyers credit during the year at interest rates ranging from 4.11% to 9.1%.

6. Short-term loan (Unsecured) from bank amounting to ₹2,000 lakhs as at March 31, 2016 was fully repaid during the year and a fresh loan of ₹5,000 lakhs was borrowed during the year, which is repayable entirely in 11 months.

7. Short-term loan (Unsecured) from others amounting to ₹9,000 lakhs outstanding as at March 31, 2016 was fully repaid during the year.

(in ₹ Lakhs)	**As at March 31, 2017**	As at March 31, 2016
6. Deferred tax liabilities (Net)		
Tax effect of items constituting deferred tax liabilities:		
On difference between book balance and tax balance of fixed assets	**15,946.36**	16,027.63
Others	**265.80**	76.92
	16,212.16	16,104.55
Tax effect of items constituting deferred tax assets:		
Unabsorbed depreciation carried forward	**1,923.01**	2,626.69
Disallowances under the Income Tax Act, 1961	**727.91**	690.63
Others	**346.73**	698.53
	2,997.65	4,015.85
Deferred tax liabilities (net)	**13,214.51**	12,088.70
7. Other current liabilities		
Current maturities of long-term debt		
Unsecured	**12,517.21**	2,902.68
Interest accrued but not due on borrowings	**25.99**	47.00
Interest accrued and due on others	**5.63**	4.29
Unclaimed dividends	**3.19**	4.12
Unclaimed application money received for allotment of securities and due for refund	**0.69**	0.75
Unpaid matured deposits and interest accrued thereon	**0.89**	0.89
Trade/security deposits received	**2,315.52**	2,062.33
Other payables		
Statutory remittances (Contributions to PF and ESIC, withholding taxes, excise duty, VAT, service tax, etc.)	**704.04**	854.04
Payables on purchase of fixed assets	**602.70**	970.54
Contractually reimbursable expenses	**91.43**	100.13
Advances from customers	**286.76**	172.63
Others*	**910.28**	836.74
TOTAL	**17,464.33**	7,956.14

* Others include liabilities created on account of demands received in respect of excise, sales tax etc.

(In ₹ Lakhs)	As at March 31, 2017	As at March 31, 2016
8A. Long-term provisions		
Provision for employee benefits		
Compensated absences	**353.45**	144.70
Gratuity (Refer Note 25)	**92.93**	150.68
TOTAL	**446.38**	295.38
8B. Short-term provisions		
Provision:		
For contingencies (Refer Note 37)	**1,090.66**	1,090.66
For other (disputed dues) [Refer Note 42(a)]	**2,357.43**	–
TOTAL	**3,448.09**	1,090.66
9. Trade payables		
Acceptances	**4,005.19**	**5,920.71**
Other than acceptances	**9,952.03**	**9,584.79**
TOTAL	**13,957.22**	**15,505.50**
Of the above		
i. Total outstanding dues of micro enterprises and small enterprises (Refer Note 36)	**112.03**	**74.53**
ii. Total outstanding dues of creditors other than micro enterprises and small enterprises	**13,845.19**	**15,430.97**
TOTAL	**13,957.22**	**15,505.50**

10. Fixed assets

(In ₹ Lakhs)

Description	Gross Block (at cost)				Depreciation/Amortization					Net Block	
	As at April 1, 2016	Additions	Disposals	**As at March 31, 2017**	As at April 1, 2016	For the year	Adjust-ments (Refer Note 38)	Deductions	**As at March 31, 2017**	**As at March 31, 2017**	As at March 31, 2016
A. Tangible											
Land-Freehold	297.30	–	–	**297.30**	–	–	–	–	**–**	**297.30**	297.30
	297.30	–	–	*297.30*	–	–	–	–	–	*297.30*	
Buildings	12,745.76	595.32	–	**13,341.08**	3,738.30	484.38	–	–	**4,222.68**	**9,118.40**	9,007.46
	12,290.08	*529.45*	*73.77*	*12,745.76*	*5,315.72*	*443.73*	*(1,955.49)*	*65.66*	*3,738.30*	*9,007.46*	
Plant and equipment	134,732.84	2,796.21	61.74	**137,467.31**	63,547.53	5,819.71	–	56.81	**69,310.43**	**68,156.88**	71,185.31
	133,064.04	*2,627.67*	*958.87*	*134,732.84*	*58,374.27*	*6,451.50*	*(405.83)*	*872.41*	*63,547.53*	*71,185.31*	
Furniture and fixtures	559.49	15.40	–	**574.89**	372.01	63.19	–	–	**435.20**	**139.69**	187.48
	557.90	*20.08*	*18.49*	*559.49*	*321.10*	*66.53*	–	*15.62*	*372.01*	*187.48*	
Vehicles	452.16	122.90	72.07	**502.99**	330.60	67.19	–	63.42	**334.37**	**168.62**	121.56
	526.73	*34.58*	*109.15*	*452.16*	*347.35*	*50.95*	–	*67.70*	*330.60*	*121.56*	
Office equipment	1,111.40	68.23	0.21	**1,179.42**	868.86	121.36	–	–	**990.22**	**189.20**	242.54
	1,158.93	*131.65*	*179.18*	*1,111.40*	*908.89*	*130.10*	–	*170.13*	*868.86*	*242.54*	
Leasehold improvements	470.35	19.86	–	**490.21**	147.35	38.49	–	–	**185.84**	**304.37**	323.00
	470.35	–	–	*470.35*	*109.00*	*38.35*	–	–	*147.35*	*323.00*	
TOTAL	150,369.30	3,617.92	134.02	**153,853.20**	69,004.65	6,594.32	–	120.23	**75,478.74**	**78,374.46**	81,364.65
	148,365.33	*3,343.43*	*1,339.46*	*150,369.30*	*65,376.33*	*7,181.16*	*(2,361.32)*	*1,191.52*	*69,004.65*	*81,364.65*	
B. Intangible											
Goodwill	1,933.97	–	–	**1,933.97**	1,933.97	–	–	–	**1,933.97**	**–**	–
	1,933.97	–	–	*1,933.97*	*1,933.97*	–	–	–	*1,933.97*	–	–
Computer software	1,270.57	99.66	–	**1,370.23**	587.74	228.47	–	–	**816.21**	**554.02**	682.83
	780.17	*497.26*	*6.86*	*1,270.57*	*457.87*	*136.46*	–	*6.59*	***587.74***	***682.83***	
TOTAL	3,204.54	99.66	–	**3,304.20**	2,521.71	228.47	–	–	**2,750.18**	**554.02**	682.83
	2,714.14	*497.26*	*6.86*	*3,204.54*	*2,391.84*	*136.46*	–	*6.59*	*2,521.71*	*682.83*	

Previous year figures in italics.

Note: Additions include capitalization of exchange loss mainly on plant and equipment and buildings of ₹11.60 lakhs (Previous year: ₹403.10 lakhs)

C. Depreciation/amortization for the year

(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016
Tangible assets	**6,594.32**	7,181.16
Intangible assets	**228.47**	136.46
TOTAL	**6,822.79**	7,317.62

(In ₹ Lakhs)	As at March 31, 2017	As at March 31, 2016
11. Non-current investments		
(At cost, unless otherwise stated)		
Unquoted		
A. Trade		
Investments in equity instruments of other entities		
Andhra Pradesh Gas Power Corporation Limited		
1,340,000 (March 31, 2016: 1,340,000) equity shares of		
₹10 each, fully paid up	**1,538.37**	1,538.37
Total trade - A	**1,538.37**	1,538.37
B. Other investments		
Investments in subsidiary		
IP India Foundation		
50,000 (March 31, 2016: 50,000) equity shares of		
₹10 each, fully paid up	**5.00**	5.00
Sub-total (i)	**5.00**	5.00
Investments in equity instruments of other entities		
Somar Granites Private Limited		
30,000 (March 31, 2016: 30,000) equity shares of		
₹10 each, fully paid up	**3.00**	3.00
Less: Provision for diminution in value of investments	**3.00**	3.00
Kedia Distillery Limited		
212,800 (March 31, 2016: 212,800) equity shares of		
₹10 each, fully paid up	**61.71**	61.71
Less: Provision for diminution in value of investments	**61.71**	61.71
Sub-total (ii)	**–**	–
Total Other Investments - B (i + ii)	**5.00**	5.00
Total (A + B)	**1,543.37**	1,543.37
Aggregate cost of unquoted investments	**1,608.08**	1,608.08
Aggregate amount of provision made for other than temporary diminution	**64.71**	64.71

(In ₹ Lakhs)	**As at March 31, 2017**	As at March 31, 2016
12A. Long-term loans and advances		
(Unsecured, considered good unless otherwise stated)		
Capital advances	**83.97**	122.03
Security deposits	**937.62**	975.09
Loans and advances to employees	**22.18**	28.43
Prepaid expenses	**25.12**	40.03
Advance income tax		
[Net of provision of ₹3,646.54 lakhs (March 31, 2016: ₹2733.06 lakhs)]	**1,254.77**	1,092.42
MAT credit entitlement	**5,083.39**	4,169.91
Advances with statutory authorities	**2,772.47**	864.85
TOTAL	**10,179.52**	7,292.76
12B. Short-term loans and advances		
(Unsecured, considered good unless otherwise stated)		
Security deposits		
Considered good	**42.46**	6.00
Considered doubtful	**5.00**	5.00
	47.46	11.00
Less: Provision for doubtful deposits	**5.00**	5.00
	42.46	6.00
Loans and advances to employees	**126.01**	166.32
Prepaid expenses	**387.24**	340.99
Balances with government authorities:		
CENVAT credit receivable	**1,184.31**	1,189.76
Service tax credit receivable	**30.04**	17.74
VAT credit receivable	**144.35**	263.15
Advance to material suppliers/contractors		
Considered good	**636.46**	2,486.82
Considered doubtful	**38.96**	25.21
	675.42	2,512.03
Less: Provision for other doubtful loans and advances	**38.96**	25.21
	636.46	2,486.82
TOTAL	**2,550.87**	4,470.78

(In ₹ Lakhs)	As at March 31, 2017	As at March 31, 2016
13A. Other non-current assets		
Margin money deposits with banks*	**16.35**	35.85
Interest accrued on margin money deposits with banks	**4.07**	4.93
TOTAL	**20.42**	40.78
* Represents margin money deposits with maturity of more than twelve months from the balance sheet date.		
13B. Other current assets		
Accruals		
Interest accrued on deposits	**22.22**	28.63
	22.22	28.63
Others		
Export benefits receivable	**646.55**	122.52
Fixed assets held for sale	**2.50**	65.67
Other receivables	**195.88**	–
	844.93	188.19
TOTAL	**867.15**	216.82
14. Inventories		
(At lower of cost and net realizable value)		
Raw materials (including packing materials)	**6,890.02**	6829.48
Materials-in-transit	**–**	138.20
Work-in-progress	**1,651.71**	1387.82
Finished goods (other than those acquired for trading)	**2,444.68**	5140.35
Stores and spares	**7,293.13**	7743.74
Materials-in-transit	**104.56**	131.28
TOTAL	**18,384.10**	21,370.87
15. Trade receivables		
(Considered good, unless otherwise stated)		
Trade receivables outstanding for a period exceeding		
six months from the date they were due for payment		
Secured, considered good	**12.35**	25.56
Unsecured, considered good	**–**	0.43
Doubtful	**96.69**	92.95
	109.04	118.94
Less: Provision for doubtful receivables	**96.69**	92.95
	12.35	25.99
Other trade receivables		
Secured, considered good	**1,907.12**	1,647.07
Unsecured, considered good	**4,831.36**	5,395.78
Doubtful	**18.71**	22.45
	6,757.19	7,065.30
Less: Provision for doubtful receivables	**18.71**	22.45
	6,738.48	7,042.85
TOTAL	**6,750.83**	7,068.84

(In ₹ Lakhs)	As at March 31, 2017	As at March 31, 2016

16. Cash and cash equivalents

A.	**Cash and cash equivalents (as per AS 3 Cash Flow Statements)**		
	Cash in hand	**1.18**	0.47
	Cheques, drafts on hand	**–**	9.02
	Balances with banks		
	in current accounts	**146.89**	952.72
	in EEFC accounts	**179.24**	0.10
	in demand deposit accounts	**350.00**	–
	Sub-total cash & cash equivalents (as per AS 3 Cash Flow Statement)	**677.31**	962.31
B.	**Other bank balances**		
	In earmarked accounts		
	Balances held as margin money or security against gurarantees and other commitments	**26.10**	47.14
	Unpaid dividend accounts	**3.19**	4.12
	Share application money received for allotment of securities and due for refund	**0.69**	0.75
	Sub-total other bank balances	**29.98**	52.01
	TOTAL	**707.29**	1,014.32

Note: Margin money deposits amounting to ₹16.35 lakhs (As at March 31, 2016: ₹35.85 lakhs) which have a maturity of more than 12 months from the Balance Sheet date have been classified under other non-current assets (Refer Note 13A).

During the year, the Company had Specified Bank Notes (SBNs) or Other Denomination Notes (ODNs) as defined in the Ministry of Corporate Affairs notification G.S.R. 308(E) dated March 31, 2017 on the details of SBNs held and transacted during the period from November 8, 2016 to December, 30 2016. The denomination wise SBNs and ODNs as per the notification are given below: (₹)

Particulars	SBNs	ODNs	Total
Closing cash in hand as on November 8, 2016	40,500	87,404	127,904
Add: Permitted receipts	–	466,740	466,740
Less: Permitted payments	–	(453,517)	(453,517)
Less: Amounts deposited in banks	(40,500)	–	(40,500)
Closing cash in hand as on December 30, 2016	–	100,627	100,627

(In ₹ Lakhs)	Year ended March 31, 2017	Year ended March 31, 2016
17. Revenue from operations		
Revenue from sale of products (Refer Note (i) below)	**123,703.55**	118,720.75
Other Operating Revenue (Refer Note (ii) below)	**2,994.69**	2,904.32
TOTAL	**126,698.24**	121,625.07
Notes:		
i. Sale of products comprise of sale of paper and paperboard		
ii. Other operating revenues comprise:		
Sale of saplings	**191.29**	396.81
Export benefits	**1,164.34**	504.26
Incidental charges recovered from customers	**1,343.96**	1,604.66
Sale of scrap	**295.10**	398.59
TOTAL	**2,994.69**	2,904.32
18. Other income		
Interest income	**30.97**	34.75
Profit on sale of fixed assets (Net)	**27.15**	–
Insurance and other claims	**130.23**	125.36
Liabilities/Provision no longer required, written back*	**329.12**	427.52
Miscellaneous income	**62.69**	57.99
TOTAL	**580.16**	645.62
*Includes ₹7.77 lakhs written back from provision for doubtful trade receivables and advances (Previous year: ₹ Nil).		
19. Cost of materials consumed		
Opening stock	**6,967.68**	4,644.76
Add: Purchases	**48,913.31**	53,117.22
	55,880.99	57,761.98
Less: Closing stock	**6,890.02**	6,967.68
TOTAL	**48,990.97**	50,794.30
20. Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Opening stocks:		
Work-in-progress	**1,387.82**	2,059.06
Finished goods*	**5,140.35**	5,096.43
Stock-in-trade*	**–**	0.45
	6,528.17	7,155.94
Closing stocks:		
Work-in-progress	**1,651.71**	1,387.82
Finished goods*	**2,444.68**	5,140.35
Stock-in-trade*	**–**	–
	4,096.39	6,528.17
Net (increase)/decrease	**2,431.78**	627.77
Excise duties on increase/(decrease) of finished goods	**(37.64)**	228.06
TOTAL	**2,394.14**	855.83
*Comprising paper and paperboard		

(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016
21. Employee benefits expense		
Salaries, wages and bonus	**11,935.71**	10,772.75
Contribution to provident and other funds	**885.55**	956.29
Performance share plan expense (Refer Note 45)	**78.59**	–
Workmen and staff welfare expenses	**1,180.24**	1,195.49
TOTAL	**14,080.09**	12,924.53
22. Finance costs		
Interest expense on		
Borrowings	**2,993.75**	3,727.91
Others	**174.45**	206.31
Bank and finance charges	**91.66**	95.36
TOTAL	**3,259.86**	4,029.58
23. Other expenses		
Consumption of stores, spares and chemicals	**15,168.20**	15,634.27
Power, fuel and water	**8,646.21**	7,944.12
Repairs and maintenance		
Buildings	**579.88**	355.88
Plant and machinery	**3,310.10**	2,677.67
Others	**234.93**	303.94
Conversion/processing charges	**391.28**	380.21
Commission and cash discounts on sales	**3,604.38**	3,622.79
Forwarding, transportation and other sales expenses	**3,127.24**	3,299.97
Rates and taxes	**298.97**	502.55
Royalty	**279.66**	272.99
Rent	**509.15**	406.92
Insurance	**300.71**	326.00
Legal and professional charges	**547.01**	778.43
Provision for doubtful trade receivables and advances	**21.51**	53.12
Bad trade receivables and advances written-off	**1.67**	61.17
Less: Provision released	**–**	37.35
	1.67	23.82
Payment to auditors (Refer Note 35)	**64.64**	66.41
Exchange differences (Net)	**16.40**	8.00
Loss on discarded fixed assets	**–**	54.33
Miscellaneous expenses	**1,695.50**	1,627.47
TOTAL	**38,797.44**	38,338.89

24. Contingent liabilities and commitments

(In ₹ Lakhs)			As at March 31, 2017	As at March 31, 2016
A.	**Contingent liabilities** (to the extent not provided for)			
	Claims against the Company not acknowledged as debt:			
	Matters under litigation			
	a.	Income tax matters	**640.67**	640.67
	b.	Excise duty claims disputed by the Company relating to issues of applicability, classification and valuation	**5,696.11**	5,780.49
	c.	Sales tax claims disputed by the Company relating to issues of applicability, royalty and discounts	**481.30**	485.57
	d.	Electricity duty towards consumption of energy generated by captive power unit	**1,571.62**	4,983.22
	e.	Other matters (third party claims, interest on royalty, ex-employees claims etc.)	**2,052.83**	1,491.72
The amounts disclosed above represent best estimate and the uncertainties are dependent on the outcome of the legal processes initiated by the Company or the claimant as the case may be.				
B.	**Commitments**			
i.	Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)		**626.34**	700.20
ii.	Export Commitment under Export Promotion Capital Goods (EPCG) Scheme		**–**	9,713.04

25. Employee benefits

A. Defined benefit plans

a. The following table sets out the status of the gratuity plan of the Company and the amounts recognized in the Balance Sheet and Statement of Profit and Loss:

i. Opening and closing balances of the present value of the defined benefit obligation

(In ₹ Lakhs)	Year ended March 31, 2017	Year ended March 31, 2016
Opening defined benefit obligation	**2,242.00**	2,249.01
Current service cost	**141.93**	131.42
Interest cost	**163.65**	155.70
Benefits paid	**(392.81)**	(505.93)
Actuarial losses/(gain)	**256.08**	211.80
Obligations at the end of the year	**2,410.85**	2,242.00

ii. Change in plan assets

(In ₹ Lakhs)	As at March 31, 2017	As at March 31, 2016
Opening fair value of plan assets	**2,091.32**	2,470.77
Expected return on plan assets	**155.46**	166.33
Actuarial gain/(losses)	**108.05**	(39.85)
Contribution by employer	**355.90**	–
Benefits paid	**(392.81)**	(505.93)
Closing fair value of plan assets	**2,317.92**	2,091.32

iii. Amount recognized in Balance Sheet

(In ₹ Lakhs)	As at March 31, 2017	As at March 31, 2016
Present value of funded obligations	**2,410.85**	2,242.00
Fair value of plan assets	**2,317.92**	2,091.32
Net asset/(liability)	**(92.93)**	(150.68)

iv. Expenses recognized in the Statement of Profit and Loss

(In ₹ Lakhs)	Year ended March 31, 2017	Year ended March 31, 2016
Current service cost	**141.93**	131.42
Interest on defined benefit obligation	**163.65**	155.70
Expected return on plan assets	**(155.46)**	(166.33)
Net actuarial losses/(gains) recognized	**148.03**	251.65
Amount included in 'Employee benefits expense'	**298.15**	372.44

v. Composition of plan assets

		As at March 31, 2017	As at March 31, 2016
Insurance managed funds	%	**100**	100
TOTAL	%	**100**	100

vi. Summary of actuarial assumptions

		As at March 31, 2017		As at March 31, 2016	
Discount rate	%	**7.20**		8.00	
Estimated rate of return on plan assets	%	**7.50**		7.50	
Salary escalation rate		Senior staff - 6% Junior staff & workers 5%		Senior staff - 6% Junior staff & workers 1% for first 3 years 5% thereafter	
Mortality rate		**Indian Assured Lives Mortality (IALM) (2006-08) Ult. Modified**		Indian Assured Lives Mortality (IALM) (2006-08) Ult. Modified	
Attrition rate		**Age**	**Rate p.a. %**	Age	Rate p.a. %
		21-30	**5**	21-30	5
		31-40	**3**	31-40	3
		41 & above	**2**	41 & above	2

Discount rate: The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered take into account inflation, seniority, promotion and other relevant factors.

vii. Experience adjustments

(In ₹ Lakhs)	**March 31, 2017**	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Defined benefit obligation	**2,410.85**	2,242.00	2,249.01	2,477.05	2,504.78
Plan assets	**2,317.92**	2,091.32	2,470.77	2,482.54	2,521.03
Surplus/(deficit)	**(92.93)**	(150.68)	221.76	5.49	16.25
Experience gain/(loss) adjustment on plan liabilities	**(63.30)**	(322.51)	(83.06)	(275.57)	133.36
Experience gain/(loss) adjustment on plan assets	**108.05**	(39.85)	118.75	44.73	81.14
Actuarial gain/(loss) due to change in assumptions	**(192.78)**	110.71	278.53	238.21	–

b. Compensated absences

The key assumptions, as provided by an independent actuary, used in the computation of compensated absences are referred in Sl. No. (a) (vi) above.

B. Defined contribution plans

a. Superannuation

The Company recognized ₹25.85 lakhs (Previous year: ₹29.67 lakhs) as an expense towards contribution of superannuation in the Statement of Profit and Loss during the year.

b. Provident Fund (Including Pension)

The Company contributed ₹399.03 lakhs (Previous year: ₹416.06 lakhs) to the Provident Fund Trust maintained by the Company and ₹119.36 lakhs (Previous year: ₹110.91 lakhs) to Regional Provident Fund Commissioner, which was recognized as an expense during the year.

26. Segment information

The Company is in the business of manufacture and sale of pulp, paper and paperboard. Considering the core activities of the Company, the management is of the view that manufacture and sale of pulp, paper and paperboards is a single reportable business segment and hence information relating to primary segment is not required to be disclosed.

Information relating to secondary segments i.e. geographical segments - Domestic and overseas is as follows:

	Domestic		**Overseas**		**Total**	
(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016	**Year ended March 31, 2017**	Year ended March 31, 2016	**Year ended March 31, 2017**	Year ended March 31, 2016
Segment revenue	**102,621.26**	96,952.12	**21,082.29**	21,768.63	**123,703.55**	118,720.75
Segment assets	**118,940.74**	125,193.60	**1,242.37**	1,585.99	**120,183.11**	126,779.59

Note: Capital expenditure incurred during the year ended are in respect of domestic segment.

27. Related party transactions

a. List of related parties and relationships:

i. Ultimate holding company

International Paper Company, USA

ii. Holding companies

IP Holding Asia Singapore Pte. Limited (up to June 22, 2016)

International Paper Investments (Luxembourg) S.a.r.l. (Fellow subsidiary up to June 22, 2016)

iii. Subsidiary company

IP India Foundation

iv. Fellow subsidiaries

International Paper (India) Private Limited

International Paper Nordic Sales Company

v. Entity where the Company is in a position to exercise control

The Employees Provident Fund of The Andhra Pradesh Paper Mills Limited

vi. Key Managerial Personnel

Name of the person	Relationship	Status
Mr. Rampraveen Swaminathan	Chairman & Managing Director (CMD)	From November 1, 2014

b. Related party transactions

(In ₹ Lakhs)	Name of the related party	**Year ended March 31, 2017**	Year ended March 31, 2016
Professional charges - Income	International Paper (India) Private Limited	**186.55**	–
Professional charges - Management Contracts	International Paper (India) Private Limited	**110.86**	375.36
Royalty expenses	International Paper Company, USA	**279.66**	272.99
Rent received	International Paper (India) Private Limited	**–**	32.93
Managerial remuneration	Key Managerial Personnel (Refer Note (i) below)	**53.00**	59.62
Loan received	International Paper (India) Private Limited	**–**	3,600.00
Loan repaid	International Paper (India) Private Limited	**3,400.00**	200.00
Foreign currency loan paid	International Paper Investments (Luxembourg) S.à r.l.	**2,718.20**	2,602.90
Interest paid on foreign currency loan	International Paper Investments (Luxembourg) S.à r.l.	**126.98**	204.08
Interest paid on loan	International Paper (India) Private Limited	**72.38**	53.33
Expenses to be reimbursed - Performance Share Plan	International Paper Company, USA	**78.59**	–
Contribution towards provident fund	The Employees Provident Fund of APPM Limited	**399.03**	416.06
Contribution towards CSR expenses	IP India Foundation	**15.00**	–

c. Amounts due from/due to related parties

(In ₹ Lakhs)	Name of the related party	**As at March 31, 2017**	As at March 31, 2016
Due to related parties			
Interest payable on Foreign currency loan	International Paper Investments (Luxembourg) S.à r.l.	**18.80**	39.34
Foreign currency loan payable	International Paper Investments (Luxembourg) S.à r.l.	**2,594.20**	5,300.80
Loan payable	International Paper (India) Private Limited	**–**	3,400.00
Trade payables	International Paper (India) Private Limited	**116.40**	–
	International Paper Company, USA	**66.33**	63.17
Payable towards performance share plan	International Paper Company, USA	**78.59**	–
Due from related parties			
Other Receivables	International Paper (India) Private Limited	**195.88**	–

Notes: i. Represents remuneration paid to CMD. The remuneration was paid in his capacity as independent professional appointed by the Company, who possesses requisite professional qualifications with expert knowledge in his field of profession.

ii. In respect of certain borrowings (refer Note 5A), Letter of Comfort has been provided to the banks by International Paper Company, USA, the ultimate holding company.

28. Leases

The Company's significant leasing arrangements are in respect of operating leases for premises (Offices, godowns etc.) ranging from 3 years to 20 years. The aggregate lease rentals payable are charged as 'Rent' under Note 23 - Other expenses.

With regard to the non-cancellable operating lease, the future minimum lease rentals are as follows:

(In ₹ Lakhs)	**As at March 31, 2017**	As at March 31, 2016
Not later than 1 year	**37.60**	37.60
Later than 1 year and not later than 5 years	**203.66**	197.39
More than 5 years	**328.98**	372.85

29. Earnings per share

	Year ended March 31, 2017	Year ended March 31, 2016
Profit for the year (In ₹ Lakhs)	**3,130.57**	3,689.31
Weighted average number of equity shares outstanding during the year (Nos.) - Basic and Diluted	**39,770,039**	39,770,039
Earnings per share (Face value ₹10 per share) Basic and Diluted (₹)	**7.87**	9.28

30. Details of raw materials consumed and work-in-progress

a. Raw materials consumed (including packing materials)

(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016
Hardwood	**35,252.50**	38,253.55
Waste paper cuttings, wood pulp, etc.	**6,484.36**	5,083.69
Others (including packing materials)	**7,254.11**	7,457.06
TOTAL	**48,990.97**	50,794.30

b. Opening and closing stock of work-in-progress

(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016
Opening stock		
Pulp	**321.02**	400.48
Unfinished paper	**690.57**	1,420.65
Others	**376.23**	237.93
	1,387.82	2,059.06
Closing stock		
Pulp	**266.27**	321.02
Unfinished paper	**810.64**	690.57
Others	**574.80**	376.23
TOTAL	**1,651.71**	1,387.82

31. Details of imported and indigenous raw materials (including packing materials), stores, chemicals and spares consumed

(In ₹ Lakhs)	**Year ended March 31, 2017**		Year ended March 31, 2016	
	₹	**% of total consumption**	₹	% of total consumption
Raw materials (including packing materials)				
Imported	**2,641.32**	**5.39**	3,320.22	6.54
Indigenous	**46,349.65**	**94.61**	47,474.08	93.46
TOTAL	**48,990.97**	**100.00**	50,794.30	100.00
Stores, chemicals & spares				
Imported	**1,220.99**	**8.05**	2,405.24	15.38
Indigenous	**13,947.21**	**91.95**	13,229.03	84.62
TOTAL	**15,168.20**	**100.00**	15,634.27	100.00

32. CIF value of imports

(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016
Raw materials (including packing materials)	**2,869.26**	2,863.59
Stores and spares	**1,549.44**	1,743.27
Capital goods	**319.66**	259.60
TOTAL	**4,738.36**	4,866.46

33. Earnings in foreign currency

(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016
Exports on FOB basis	**20,526.16**	21,171.50
TOTAL	**20,526.16**	21,171.50

34. Expenditure in foreign currency

(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016
Repairs and maintenance	**30.76**	54.56
Interest	**127.77**	210.05
Travelling	**37.32**	39.19
Agency commission	**9.72**	2.27
Membership subscriptions	**–**	0.62
TOTAL	**205.57**	306.69

35. Payment to auditors (net of service tax input credit, where applicable)

(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016
Statutory audit fees	**40.00**	48.80
Fee for Limited Reviews	**12.00**	9.00
Tax audit	**8.00**	8.00
Other services	**2.50**	–
Out of pocket expenses	**2.14**	0.61
TOTAL*	**64.64**	66.41

* The above excludes ₹4.00 lakhs (Previous year: ₹4.00 lakhs) paid to the affiliate firm of auditors.

36. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

The amount due to Micro and Small Enterprises as defined in the 'The Micro, Small and Medium Enterprises Development Act, 2006' has been determined to the extent such parties have been identified on the basis of information available with the Company. The disclosures relating to Micro, Small and Medium Enterprises as at March 31, 2017 are as under:

(In ₹ Lakhs)	**As at March 31, 2017**	As at March 31, 2016
Principal amount remaining unpaid to suppliers at the end of the year	**112.03**	74.53
Interest due thereon remaining unpaid to suppliers at the end of the year	**5.63**	4.29
The amount of interest paid along with the amounts of the payment made to suppliers beyond the appointed day	**–**	–
The amount of interest due and payable	**–**	–
The amount of interest accrued and remaining unpaid at the end of accounting year	**5.63**	4.29

37. Provision for contingencies

The Company carries a general provision for contingencies towards various disputed matters/claims made against the Company based on the management's assessment. Also, refer Note 24 (A). The movement of this provision account is as under:

(In ₹ Lakhs)	**As at March 31, 2017**	As at March 31, 2016
Opening balance	**1,090.66**	1631.48
Provision made during the year	–	–
Amounts utilized/reversed during the year	–	(540.82)
Closing balance	**1,090.66**	1,090.66

38. Change in accounting policy in the previous year

Effective April 1, 2015, the Company with retrospective effect changed its method of providing depreciation on Buildings and Electrical Installations (forming part of Plant and equipment) at Rajahmundry Plant from the 'Written Down Value' method to the 'Straight Line' method, as per the useful lives specified in Schedule II of the Companies Act, 2013. Management believes that this change will result in more appropriate presentation and will give a systematic basis of depreciation charge. Accordingly, the Company reversed the depreciation charged till March 31, 2015 amounting to ₹2,361.32 lakhs in the Statement of Profit and Loss as per the requirements of Accounting Standard (AS) 6 - Depreciation Accounting which was disclosed as Exceptional item [Refer Note 42 (a)] in the previous year 2015-16.

39. Derivative instruments

i. The following are the outstanding forward exchange contracts entered into by the Company:

As at March 31, 2017

Currency	**Buy/Sell**	**No. of contracts**	**Foreign currency (in Million USD)**	**In ₹ Lakhs**
Nil	**Nil**	**Nil**	**Nil**	**Nil**

As at March 31, 2016

Currency	Buy/Sell	No. of contracts	Foreign currency (in Million USD)	In ₹ Lakhs
USD	Buy	3	0.52	347.79

ii. Unhedged foreign currency exposure

The foreign currency exposures that have not been specifically hedged by a derivative instrument or otherwise are given below:

	As at March 31, 2017 (All figures in Lakhs)				As at March 31, 2016 (All figures in Lakhs)			
	GBP	**USD**	**Euro**	**₹**	GBP	USD	Euro	₹
Trade receivables	**–**	**19.16**	**–**	**1,242.37**	–	23.94	–	1,585.88
Trade payables	**0.03**	**11.44**	**3.47**	**984.53**	0.02	10.43	3.37	946.78
Advances received from customers	**–**	**0.01**	**–**	**0.97**	–	0.01	–	0.99
Bank balance	**–**	**2.76**	**–**	**179.24**	–	0.001	–	0.10
Term loans	**–**	**40.00**	**–**	**2,594.20**	–	80.00	–	5,300.80
Interest payable	**–**	**0.29**	**–**	**18.80**	–	0.62	–	41.02

40. Expenses disclosed under the respective notes are net of the following amounts capitalised by the Company under capital work-in- progress/fixed assets:

(In ₹ Lakhs)	**Year ended March 31, 2017**	Year ended March 31, 2016
Employee benefits expense	**Nil**	287.76
Finance cost (net)	**Nil**	1.44
Other expenses (including net exchange differences)	**11.60**	468.85

41. The Company's wholly owned subsidiary, IP India Foundation, carries out Corporate Social Responsibility activities. The same is not considered for the purpose of consolidation, as the objective of control over this entity is not to obtain economic benefits from its activities.

42. Exceptional items

a. The Hon'ble High Court for the State of Telangana and the State of Andhra Pradesh dismissed the Company's writ petition (along with the other petitions on the same matter filed by other companies) vide its common order dated 19th May 2016 ('the Order') in which it upheld the validity of levy of electricity duty @ 25 paisa per unit by the State Government on consumption of electricity by captive generating units relating to earlier years. During the year, the Company (along with other petitioners) filed a Special Leave Petition in the Hon'ble Supreme Court, which has listed the case for further hearing in end April 2017. In the interim, the Hon'ble Supreme Court directed the petitioners to pay partial amount without prejudice to the rights and contentions of the petitioners, pursuant to which the Company has paid ₹1,502.05 lakhs under protest which has been disclosed under Note 12A Long-term loans and advances.

   In view of the inherent uncertainty in predicting the final outcome of the above litigation, the Management has, on grounds of prudence and abundant caution, made a provision amounting to ₹2,357.43 lakhs during the year (Refer Note 8B Short-term provisions) towards the potential liability in the event of an unfavourable verdict in this matter, which amount has been disclosed as an Exceptional item. Additionally, an amount of ₹1,571.62 lakhs has been disclosed as Contingent liability. On the basis of the legal advice obtained, in the opinion of the management no further provision would be required in relation to this disputed matter.

b. Based on the favorable orders of the Hon'ble High Court of Andhra Pradesh, a major portion of refund of excise duty on credit notes for discounts/rebates were sanctioned to the Company. On appeal made by the Department of Central Excise and Customs, the Hon'ble Supreme Court vide its order dated 29th August 2016 ruled in favour of the Department. Consequently, the Company created a provision of ₹461.16 lakhs during the year, which has been disclosed as an exceptional item. The Company has filed a review petition in the Hon'ble Supreme Court for waiver of interest.

c. During the year ended March 31, 2016:

   i. Change in accounting policy in respect of method of providing depreciation for certain assets, resulting in reversal of depreciation amounting to ₹2,361.32 lakhs (Refer Note 38).

   ii. The Company revised its estimate based on internal assessment and fresh legal opinion obtained, in respect of provision created in earlier years for a disputed matter and reversed ₹540.83 lakhs.

   iii. A provision amounting to ₹202.11 lakhs was created in the earlier years due to an adverse order issued by CESTAT, Bangalore, in connection with the tax position adopted by the Company which was upheld by the Hon'ble Supreme Court on July 21, 2015 and consequently, the aforesaid provision was reversed during the quarter ended September 30, 2015.

   iv. The Asst. Commissioner granted interest on delayed refund of excise duty paid on cash discounts vide Order Nos. 30 and 31 dated July 31, 2015. The resultant income of ₹166.39 lakhs was accounted during the previous year.

43. Disclosure as per Regulation 34(3) and 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015:

Loans and advances in the nature of loans given to subsidiaries, associates, firms/companies in which directors are interested ₹Nil (March 31, 2016: ₹Nil).

44. The Board of Directors of the Company at their meeting held on April 22, 2016 approved, subject to the approval of the Members, Stock Exchanges, Hon'ble High Court of Andhra Pradesh and Telangana ("the High Court") or National Company Law Tribunal and other statutory authorities, a Scheme of Arrangement amongst the Company and its Members under the provisions of Sections 391 to 394 of the Companies Act, 1956, to transfer on the Appointed Date, the entire amount of ₹28,876.29 lakhs lying in the General Reserve to the Statement of Profit & Loss of the Company ("the Scheme").

As per the Scheme, the Appointed Date is the close of the business hours of March 31, 2016, or such other date as may be fixed by the High Court.

During the year, the Members have approved the Scheme in the Court convened meeting.

The Company is in the process of obtaining other necessary approvals as aforesaid, pending which, no adjustments as envisaged by the Scheme have been made in these accounts.

45. Performance Share Plan - Restricted Stock Units

Certain employees of the Company have been granted performance-based restricted stock units (PSUs) of International Paper Company, USA, the ultimate holding company, (IP Co) in accordance with the terms and conditions specified in the Performance Share Plan (PSP), from time to time. The PSP is assessed, managed and administered by IP Co and the PSUs granted as part of the PSP will vest after a period of 3 years from the year the grant is given.

As per the arrangement with IP Co, the cost pertaining to the PSUs granted to the employees of the Company, is recharged to the Company, based on a fair valuation model. During the year, an amount of ₹78.59 lakhs (March 31, 2016: ₹Nil) is recorded as compensation cost in the Statement of Profit and Loss. However, no other details are available with the Company with respect to the disclosures required to be made as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India.

46. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosures.

For International Paper APPM Limited

Rampraveen Swaminathan
Chairman & Managing Director

Badrinath Chellappa
Senior Vice President &
Chief Financial Officer

C. Prabhakar
Senior Vice President
(Corporate Affairs) &
Company Secretary

Hyderabad
April 25, 2017

Proxy form

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

INTERNATIONAL PAPER

INTERNATIONAL PAPER APPM LIMITED

(Formerly known as The Andhra Pradesh Paper Mills Limited)
(CIN: L21010AP1964PLC001008)
Registered Office: Rajahmundry - 533 105, East Godavari District, Andhra Pradesh, India
Email: prabhakar.cherukumudi@ipaper.com | Website: www.ipappm.com

53rd Annual General Meeting - July 25, 2017

Tear Here

Name of the Member(s)	
Registered address	
Email	
Folio No./Client ID	
DP ID	

I/we, being the member(s), holding_____shares of the above named Company, hereby appoint

Name : ..... Email :.....

Address : .....

..... Signature : _____

Or failing him/her

Name : ..... Email :.....

Address : .....

..... Signature : _____

Or failing him/her

Name : ..... Email :.....

Address : .....

..... Signature : _____

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 53rd Annual General Meeting of the Company, to be held on Tuesday, July 25, 2017 at 12:00 noon at Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103, East Godavari District, Andhra Pradesh and at any adjournment thereof in respect of such Resolutions as are indicated below:

Resolution number	Resolution	Vote		
		For	Against	Abstain
Ordinary business				
1.	Adoption of audited financial statements of the Company for the financial year ended March 31, 2017 and the Report of Board of Directors and Auditors thereon (Ordinary Resolution)			
2.	Appointment of a Director in place of Ms. Shiela P. Vinczeller (DIN: 06833616) who retires by rotation and being eligible offers herself for reappointment (Ordinary Resolution)			
3.	Appointment of Messrs Deloitte Haskins & Sells as Auditors of the Company (Ordinary Resolution)			
Special business				
4.	Appointment of Mr. W. Michael Amick Jr. (DIN: 05321907) as a Director of the Company (Ordinary Resolution)			
5.	Re-appointment of Mr. Rampraveen Swaminathan (DIN: 01300682) as Chairman & Managing Director from March 1, 2017 to April 27, 2017 (Special Resolution)			
6.	Appointment of Mr. Donald Paul Devlin (DIN: 07728231) as a Director and as Chairman & Managing Director of the Company from April 28, 2017(Special Resolution)			
7.	Remuneration of Cost Auditors for the financial year ending March 31, 2018 (Ordinary Resolution)			

Signed …….. day of …..…….. 2017

Affix revenue stamp of not less than ₹0.15

…… ……

Signature of the Member Signature of the proxy holder(s)

Notes:

1. This form, in order to be effective, should be stamped, completed, signed and deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting.
2. It is optional to indicate your preference. If you leave the for, against or abstain column blank, against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.

Attendance slip

INTERNATIONAL PAPER APPM LIMITED
(Formerly known as The Andhra Pradesh Paper Mills Limited)
(CIN: L21010AP1964PLC001008)
Registered Office: Rajahmundry - 533 105, East Godavari District, Andhra Pradesh, India
Email: prabhakar.cherukumudi@ipaper.com | Website: www.ipappm.com

53rd Annual General Meeting - July 25, 2017

Registered Folio no. / DP ID no. / Client ID no.:

Number of shares held

Tear Here

I certify that I am a Member/proxy for the Member of the Company.

I hereby record my presence at the 53rd Annual General Meeting of the Company held at Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103, East Godavari District, Andhra Pradesh on Tuesday, July 25, 2017 at 12:00 noon.

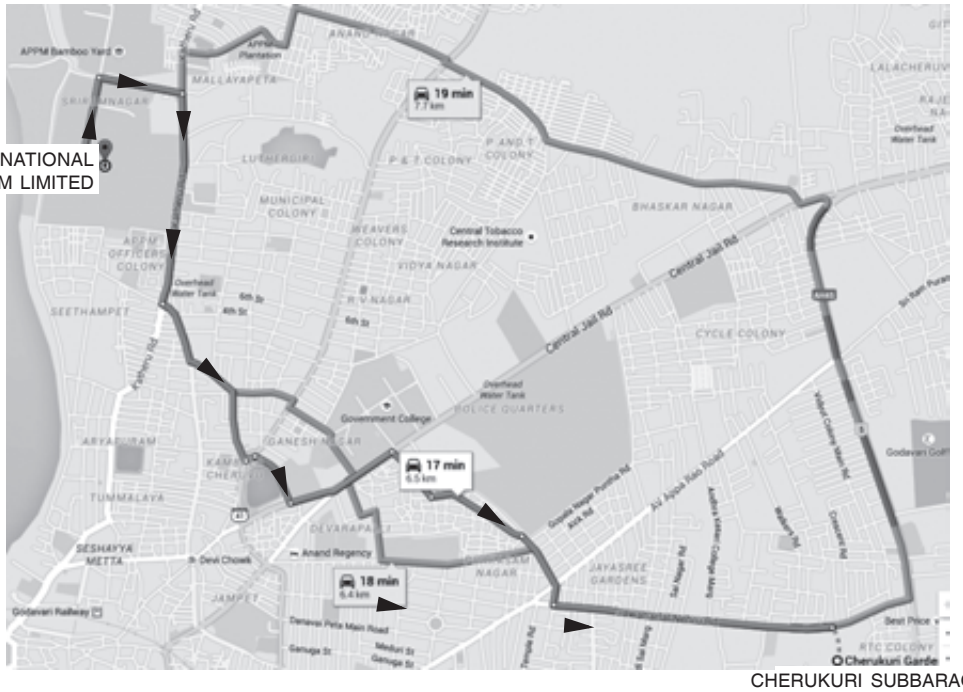
....

Name of the Member/proxy (in BLOCK Letters)

Signature of the Member/proxy

Note: Please fill up the attendance slip and hand it over at the entrance of the meeting hall.
Members are requested to bring their copies of the Annual Report to the Annual General Meeting.

Route map from the Registered Office to the venue of the Annual General Meeting



CHERUKURI SUBBARAO GANNEMMA UDYANA KALYANAVEDIKA

Notes

Notes

This Annual Report is printed on Primavera paper manufactured by the Company.

Concept, research and design by **Capricorn Associates**, Hyderabad

INTERNATIONAL PAPER

INTERNATIONAL PAPER APPM LIMITED

(Formerly known as The Andhra Pradesh Paper Mills Limited)

(CIN: L21010AP1964PLC001008)

Website: www.ipappm.com