



The Andhra Pradesh Paper Mills is an International Paper company and a leader in the paper and pulp industry. Headquartered in Hyderabad, India, we produce writing, printing and copier papers for foreign and domestic markets.

Our success comes from aligned, dedicated, highly motivated people delivering superior value to customers through operational excellence. It is our mission to become one of the best and most respected companies in the country - as measured by our employees, our customers, our communities and our shareowners.

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Financial Highlights

Paper sales of 279,093 MT in 15 month period ended March 2013, an annualized improvement of 19.8% accompanied by 3.7% increase in Net Sales Realization.

Revenue of ₹1230.50 crore as against ₹595.23 crore for the 9 month period ended December 2011, registering a year-on-year growth of 24%.

Volume growth of 147% in exports.

EBIDTA of ₹138.77 crore up from ₹73.56 crore, an annualized increase of 13.2%.



W. Michael Amick Jr. Executive Chairman

Unlocking and unleashing our potential

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Creating an environment where individual opinions and ideas are valued, is critically important to our success.

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Dear Shareowners,

It is my privilege and pleasure to be part of the exciting renewal process at Andhra Pradesh Paper Mills. As you are aware, APPM has a long and successful history in the Indian domestic paper industry: a strong platform, I am confident, we can build on. Standing firm on our International Paper principles with a relentless focus on our customers, operational excellence and our people, together, we will unlock and unleash our potential.

Paul Brown began the journey for International Paper and his inspired leadership has set the tone to an already strong company rich in capabilities, resources and talent. I extend my gratitude to Paul for all the good work he has put in and wish him well.

How we fared: "Mixed but promising"

2012-13 was an exciting and fulfilling first year as part of the IP family. We brought in talented new leaders, increased capacities, battled rising

input costs, dramatically improved safety & environmental performance, improved efficiencies, delighted (and on a few occasions, disappointed) customers, nurtured talent and implemented international best practices in many areas to ensure ongoing, continuous improvement. We are now a better company than we ever were - well positioned for the future, more competitive, and very optimistic in our outlook.

In keeping with International Paper's norms on prudential accounting and all the values that we cherish, APPM chose to recognize underlying liabilities and contractual obligations and accounted for them through the Revenue Statement. The bottom line impact is hence a function of accounting for exceptional items in an environment of rising costs.

I must add that our business is inherently strong with potential to improve volumes, revenues and margins. Our team is working to put together all the resources to drive several initiatives that can add momentum, and create a powerful

As a matter of top priority, I have ensured that our teams have been provided with the necessary resources, training and work environment to perform their jobs in a safe and environment-friendly manner.

At APPM and International Paper, our core principles and values, however, will not change. Leadership will insist on and uphold the highest ethical standards even as our teams are passionately focused on achieving results that our customers and shareowners value.

engine of growth. As we go ahead, we are confident of reporting healthy improvements that will translate into enhanced shareholder value.

Focus Areas: People, Customers, Operational Excellence

Reaching our full potential as a Company requires the people of APPM and International Paper be ready, willing and able to contribute to their own full potential. As a matter of top priority, I have ensured that our teams have been provided with the necessary resources, training and work environment to perform their jobs in a safe and environmentfriendly manner. To hear from our teams on how best to improve, we embarked on the Company's first Employee Engagement Survey with an amazing 97% participation rate. We are looking forward to the improvements that will result.

Further, I am excited about the addition of Mr. Rampraveen Swaminathan as APPM's Managing Director & CEO. His enthusiasm and leadership in his first year is already having tremendous impact.

At APPM, delighting our customers is a keen focus. In 2012-13, we listened to our customers, understood their needs, and worked towards delivering superior products and service. We tuned our manufacturing processes, quality standards and stepped up our deliverables to meet their expectations.

With raw material costs rising, we must focus on the things we can control to drive operational costs down. Our long standing and premier farm forestry program celebrated the planting of its billionth sapling in 2012. This strategic partnership between APPM, communities and farmers has

helped improve employment, society and resource availability.

During the financial year, our productivity improved by 8% owing to the efficiency initiatives that we instituted. We fully expect this trend to continue as our investments in reliability and best practices drive the operational excellence our customers and shareowners demand.

Core Principles: Leadership, Results, Responsibility

As we move through the years, our priorities and initiatives do and must change in order to perform successfully in this dynamic. competitive world. At APPM and International Paper, our core principles and values, however, will not change. Leadership will insist on and uphold the highest ethical standards even as our teams are passionately focused on achieving results that our customers and shareowners value. At the same time, we have a responsibility to the health and safety of our employees, and in sustaining the world's precious resources.

Looking ahead: Success

I see a very promising future for APPM and International Paper here in India. We have an exceptionally strong team led by a very talented and experienced Board of Directors with the support and resources of the leading global company in the industry. We have enormous untapped potential and we shall relentlessly improve our performance. I am sure we shall be successful.

Yours sincerely,

W. Michael Amick Jr. Executive Chairman

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Letter from the Managing Director & CEO



Rampraveen Swaminathan Managing Director & CEO

Back to basics

Dear Shareowners and Employees,

The past year has been one of transition. Against the backdrop of a challenging global and Indian business environment, demand drivers for printing & writing papers remained positive, resulting in strong demand in domestic and exports markets.

During 2012-13, we focused on the basics - safety, customer support excellence and operational improvements, and I am pleased to record the progress APPM has made in improving safety, asset performance and cost management. While we have witnessed a significant increase in fiber costs, our execution in 2012-13 provides a strong foundation for further growth and performance.

Safety

In 2012-13, safety was a key priority. During the year, we focused on adopting best practices, strengthening our internal policies, behavioral training and focused reduction of safety risks by involving almost all of our employees. I am gratified to report that significant improvements have been made on Total Incident Rate (TIR) and Lost Work Incident Rate (LWIR) during the year. Through the adoption of best practices from International Paper, we have

implemented new safety practices for Lockout/Tagout (LOTO), machine guarding and contractor safety. I am further pleased to note that our outages during 2012-13 were executed without any significant incidents.

Customer Support Excellence

During the year, our team placed greater emphasis on customer support excellence. Initiatives have been launched in three areas improving customer delivery and order fulfillment, improving product quality & consistency, and launching a customer-centric product development process focused on our key segments. During the year under review, several projects were launched to improve On-Time-In Full (OTIF) performance and we actually improved by 20%. We established a Distributor Council, comprised of select distributors to help partner with us strategically and provide us Voice of Customer (VoC).

On the product development front, field testing processes were reengineered to include feedback from end-users and we expanded our plant-level focus on consistency. We also launched a strategic project to expand the A4 sheeting capacity. These initiatives will help position APPM to gain customer acceptance, as we launch new products in the coming years.

We undertook a maintenance outage during 2012-13 and made investments to improve the reliability and performance of the pulp mill and paper machines, as well as the waste water treatment system.

In the first year of operations as part of International Paper, APPM has enhanced its operational efficiencies in 2012-13 across the segment, gained a competitive edge in the market, strengthened its supply chain management and made remarkable improvements in quality control. We saw the challenges of the paper industry early in 2012 and swiftly made significant changes to stay competitive.

Operations & Manufacturing Excellence

We made strategic investments in production, upgraded environmental facilities and strengthened the fiber supply chain. We undertook a maintenance outage during 2012-13 and made investments to improve the reliability and performance of the pulp mill and paper machines, as well as the waste water treatment system. These changes will help position us for better asset performance, a key earnings driver in the long term.

During the year, there was an unprecedented pressure on availability of fiber and consequently prices spiraled upwards. Added to that, inflationary pressures saw a marked rise in the prices of specialty chemicals. We also witnessed significant challenges in availability of coal and an adverse grid power scenario. These headwinds put tremendous pressure on the Company's financial results.

We reacted quickly and were able to launch several productivity projects and cost reduction efforts. We enhanced productivity of key paper machines, improved the pulp mill performance and minimized conversion losses in sheeting operations. We managed to control and leverage several moving parts; improve the yield to reduce the impact of high cost of fiber, optimize on use of specialty chemicals, increase production efficiencies, step up capacity utilization, consciously raise productivity and manage funds better

in an environment of rising interest costs.

Through it all, we remained quality conscious. In 2012-13, we instituted checks and balances to ensure that our product quality is both consistent and sustainable. Our quality stands enhanced, customer complaints have significantly tapered and we perceive a rising demand on almost all grades.

Outlook

The financial year ahead will see us pursue our corporate goals to be the most reliable manufacturer as well as reciprocate the trust of our investors. The uncertain economic environment and continued inflationary trends require us to remain focused on the basics. We are striving to be the lowest cost producer in the industry, to excel in customer support, manage world-class operations while staying focused on safety, environment and productivity, to expand our offerings in the writing and printing segments and overall, create a performance culture.

We shall invest our resources, time and effort towards growing the Company's revenues while keeping our focus on the bottom line. Each aspect of the business is being addressed to make a difference to our tomorrow. In International Paper, we have the ability to marshal global resources to support our focus on execution.

As your company enters its 50th year of operations, we have tremendous opportunity to consolidate and grow the business. The continued trust and support of our Board of Directors and stakeholders - shareowners, financial institutions and partners - has been a key ingredient and I would like to express my appreciation to all of you.

With warm regards,

Rampraveen Swaminathan Managing Director & CEO

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Company overview

APPM at a glance

Andhra Pradesh Paper Mills, which is now an International Paper company, is one of the biggest integrated paper and pulp manufacturing centers in India. The Company produces indispensible writing, printing and copier papers for foreign and domestic markets. It employs around 2,500 employees and is headquartered in Hyderabad.

APPM's production facilities are comprised of two mills in Rajahmundry and Kadiyam with a total production capacity of 240,000 TPA. The Company is becoming a driving force in sustainability in the paper manufacturing arena through focused social and community programs, including pioneering work in raw material generation through social farm forestry. International Paper owns a majority interest in APPM, and the remaining shares are publicly traded on the Bombay and National Stock Exchanges 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 Rajahmundry based facility is an integrated wood based paper mill with a rated production capacity of 174,000 MT per annum finished paper production and 182,500 BDMT per annum of bleached pulp production. The unit manufactures industrial grades, posters, uncoated and office papers using Subabul, Casuarina and Eucalyptus hardwoods as raw materials.

At Kadiyam, the facility has a capacity to produce 67,000 MT per annum finished paper varieties such as creamwove, azurelaid, colour printing, kraft liner and newsprint. The product profile is based on bleached pulp as well as recycled fiber.

APPM's identity rests on four pillars: Technology Advantage, Operational Excellence, Talented People and Commitment to the Environment.

Our Market

The strength of APPM's products was always well known in the addressable markets. Customers are treated as partners in the business and APPM even supports them in developing their business. The two-way communication with them ensures they get the products when they want, encourages them to familiarize themselves with APPM's technology, with updates provided on product strength and quality. This regular interaction has helped build our brands gain loyalty amongst both old and new customers.

Our Values

We fulfill our commitments with the highest ethical standards.

We are focused on superior results to create value for our shareholders.

We are responsible towards our environment and our community.



Our Business Objectives

Meet our financial objectives

Become the preferred choice of customers

Create a great place to work

Our Strategic Principles

Achieve world class productivity

Become the low cost producer

Customer support excellence

Expand in writing & printing papers and industrial packaging

Create a performance culture





Technology Advantage

The care that we have shown in increasing pulp and paper production using best available technology while sustaining the environment has helped in improving the fundamentals of the Company. More importantly while doing so, we have succeeded in protecting nature and helped in regenerating the green cover.

As an integrated paper manufacturer, APPM has built a distinct competitive advantage by installing the latest in technology and upgrading its skills and capabilities. In the process, there is a visible value-add to both the customer and the Company in key facets of the business.

In our effort to ensure sustained growth, we have consolidated our business, gained market presence, developed innovative products and drawn strength from the firm fundamentals of the Company as we kept raising the bar for ourselves.

Competitive Strength

Over the years, APPM has built a distinct competitive advantage through knowledge, skills and capabilities. All of them have added value to both the customer and the Company through:

- Cost leadership in production
- Focus on quality of pulp and paper production
- Value creation through technology up gradation

Farm Forestry Initiative

From the early 1980s, APPM embarked on an ambitious plan to generate the raw material by coordinating with farmers to utilize their barren marginal and degraded lands. This pioneering step marked the commencement of the farm forestry plantation activities, and was a turning point in the history of the company.

Started in 1989 by APPM, the social forestry initiative has spread across Andhra Pradesh. The program provides a means of survival for the small farmers, and improves the socio-economic status of their communities. In return, APPM has achieved total self-sufficiency in the sourcing of raw material.

Company overview

To date, around 1,079 million saplings of fast-growing Subabul, Casaurina and Eucalyptus have been distributed to cover 1,58,891 hectares of coastal land, and aided more than 48,700 farmers directly and generating 79 million man-days employment amongst the rural population.

APPM is developing high yielding, genetically superior clones of Casaurina and Eucalyptus to maximize plantation productivity and revenue generation for the farmers. The productivity of degraded lands has improved tremendously since the inception of the social farm forestry program, and soil erosion has been controlled. There has also been an observable improvement in moisture conservation.

Our Social Responsibility

Our corporate vision is to support, enhance and respect the communities where we live and work. We believe that investing in our communities is crucial to our sustainable development.

APPM has been involved in community development work since its inception, but it was only in the year 1995 that the concept of strengthening its relations with the local stakeholders gained momentum. After its acquisition by International Paper and as a part of aligning processes towards IP's global focus areas in community development, Corporate Social Responsibility (CSR) was reinforced in a more structured way. Today, the CSR activities of the company, in line with IP, are focused in the areas of education, environment and community engagement, along with employee volunteering.

Parentage

International Paper (IP) incorporated on January 31, 1898 is a global paper and packaging company with manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. The Company is the premier manufacturer of containerboard and corrugated packaging products, uncoated free sheet, coated paperboard and fluff pulp and delivers innovative single-use packaging to the foodservice industry. It is also a leading business-to-business distributor of packaging, print and facility supplies and equipment. Headquartered in Memphis, Tennessee the company employs about 70,000 people in more than 24 countries and serves customers worldwide. 2012 net sales were \$27.8 billion.

At IP, good corporate governance is the foundation upon which it builds and achieves the corporate goals and provides value to the shareholders, customers and the communities. The Company upholds the highest ethical standards and is accountable for all its actions. The people of IP believe that ethical behavior and personal integrity is the core of the corporate culture and how it conducts its business is just as important as the business results it seeks to achieve.

The key to IP's success is driven by highly motivated, dedicated people who deliver superior value through a focus on customers and operational excellence. IP is a company where people are proud to work, and with whom local and global customers

Our corporate vision is to support, enhance and respect the communities where we live and work.





and suppliers choose to partner. It is IP's mission to become one of the best and most respected companies in the world - as measured by employees, customers, communities and shareowners.

As global leaders in the paper, packaging and distribution industry, IP provides sustainable solutions to meet the needs of businesses and customers worldwide. The company also offers printing, packaging, graphic arts, maintenance and industrial products.

IP is passionate about delivering innovative, high-quality products the customers want and about protecting the environment. The Company stays focused on the efficient use of natural resources, pollution prevention and continuous performance improvement through technology and employee engagement.

IP has a long-standing policy of not using wood from endangered forests and uses third-party certification, chain-of-custody and internationally recognized forest certification standards in all of our operations. The company recognizes the following certification standards for use in its global operations:

- Programme for the Endorsement of Forest Certification (PEFC)
- Forest Stewardship Council (FSC)
- Sustainable Forestry Initiative® (SFI®)
- Cerflor, the Brazilian Program of Forest certification

In countries or regions of the world that do not have established certification standards, IP implements ISO 14001 environmental management systems on the wood or fiber purchasing systems for our facilities.

IP supports communities where its employees live and work. The International Paper Foundation has awarded grants of more than \$70 million since 1995. Through the Foundation, IP employees give not only their money, but give their time to make communities better places to live.

Professional Management

APPM profits from a highly professional management team that has several years of experience in the pulp and paper industry. Every function is manned by a capable and talented team who are committed to deliver results with high levels of ethics and accountability. The Company owes its leading position in the paper industry to the huge reservoir of human resources who bring commitment and passion to their work.







In 2012-13, APPM was able to source the major part of raw material primarily from Andhra Pradesh, within a radius of 250 kms. Approximately 95% of the material consumed was Casuarina and Subabul varieties.

Billionth sapling planted

Our efforts in farm forestry received a major boost during the year with the planting of the billionth sapling distributed by us, a testimony to our continuing commitment to the environment and social responsibility. APPM pioneered this initiative in July 1989 by distributing saplings at subsidized rates to encourage the farmers to plant more trees than they harvest.

APPM has been able to distribute over 1,079 million saplings until December 2012, covering around 158,891 hectares, benefitting 48,718 farmers directly and generating 79 million man-days' employment amongst the rural population.

APPM was the first company to introduce Casuarina clonal varieties of saplings developed at the in-house nurseries and distributed them at subsidized rates to the farmers. Considering the growing need to improve the productivity of land, APPM gave a big thrust towards clonal sapling distribution in 2012-13 with distribution of 6.5 million saplings to the farmers for planting on their farmlands as against 0.5 million distributed in the previous year.

As of December 2012, the Company had distributed 7.2 million clonal saplings, which yield more than twice the volume of pulpwood, improving not only the farmer economics but also augmenting raw material availability. The clonal saplings offer the farmers

several benefits including disease resistant, high survival, high growth and higher productivity pulp yield.

On aggregate, 161.30 million quality saplings were distributed to farmers for planting on their farmlands during the year under review, covering 26,134 hectares under pulpwood plantation as against 120.70 million saplings and 16,823 hectares coverage in the earlier year. Because of our farm forestry activity during the year, around 13 million man-days' employment is estimated to have been generated in the remote rural dry land areas.

APPM's social forestry program has several positive features, a few of which are iterated below:

- Massive plantations on fallow, marginal and degraded farmlands in order to create eco-friendly environment and improve socioeconomic status of the farmers;
- Increase productivity per unit area through improved farm forestry technique viz. proper employment of species, better management of available site resources and genetically superior planting material;
- Minimize initial investment on tree planting activity through gradual succession from conventional bare rooted seedlings to polythene bag seedlings to treated bare rooted planting stock;



- d. Generate additional income by offering technical knowhow on proper intercropping of cash crop with pulpwood tree crop;
- Encourage farmers with establishment of demonstration plots and increase interaction with periodical meetings;
- f. Provide technical knowhow to farmers from pre-planting to post-harvest stage by audio, video and publication of literature;
- g. Propagate fast and uniform growing, high yielding, disease, pest resistant and drought tolerant clonal varieties of pulpable tree species by selecting elite parental trees with desirable characters at three regional R&D centers, namely Ongole, Anakapalle and Rajahmundry.

Over the years, APPM has made concerted efforts to meet its 100% requirement of pulpwood directly from farmers, despite stiff competition in the market for pulpwood procurement. In 2012-13, APPM was able to source the major part of raw material primarily from Andhra Pradesh, within a radius of 250 kms. Approximately 95% of the material consumed was Casuarina and Subabul varieties.

During the period under review, research and development initiatives were directed at low cost planting techniques, improving farm productivity, creating high yielding quality seed materials and short rotation planting stocks. Some of our R&D activities initiated during the review period are listed below:

 Commence clonal development program in Leucaena spp. to produce more clonal vegetative propagules;

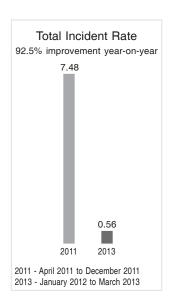


- Introduce sand bed technology in Casuarina to minimize the production cost of cloning in Casuarina:
- Initiate in-vitro techniques to rejuvenate the existing Casuarina clones to minimize ageing related factors;
- Undertake studies on cutting propagation by water culture of Casuarina hybrid clones to minimize the production cost of cloning in Casuarina, further enhance the quantitative plant production of Casuarina hybrid clones and to investigate the root ability of juvenile cuttings in hydroculture model;
- Improvise on the package and practices in the seedling nurseries to minimize the mortality ratio while reducing the production cost of seedlings;
- Evaluate growth performance of Casuarina clones under various spacing models with focus on pulpwood productivity;
- Assess silvicultural management program in order to improve targeted quality seed production; and
- Identify the best performance clones under various agro climatic locations that offer better pulpwood productivity and pulping traits.

Going forward, the major thrust shall be to improve the productivity of per unit area of farmland. Our research shows that there is considerable potential in the land and we must find ways to help the farmers significantly benefit from their efforts. We shall continue to give traction to develop new clonal varieties with higher productivity or short rotation age, introduce site-specific clones by means of macro propagation and strive to pioneer fast growing species.



We are integrating IP's mandatory health and safety compliance and performance standards into the operating philosophy of both the units, and enhancing existing site policies and procedures to take operational safety to the next level.



Focused on safety and sustainability

Safety

Everyone at APPM is conscious of and responsible for our safety, health and environmental performance. All employees have been sensitized to the fact that good EHS performance is critical to the success of our business and that every activity needs to be done safely and without creating environmental risk.

APPM believes that safety and well being of the employees and a high standard of environmental protection and preservation are core values of the Company's operating philosophy. Our goal is to operate our facilities safely and reliably, causing no harm to the community in and around our units, have no accidents or damage to the environment and care for all those impacted by our activities.

The work practices stress that stewardship of EHS is the responsibility of every employee and all employees must actively contribute to the EHS performance of the business. Each of them works to reduce human errors, cut down waste, minimize emissions and discharges and continuously lower our risk exposure.

The supervisory system provides for a formal method to address issues of all aspects of EHS with clear direction, understanding, accountability and monitoring at every level of the Company. Under IP's guidance, APPM

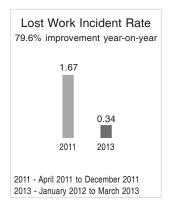
has raised the safety awareness and is implementing all the minimum programs such as use of personal protective equipment, hazard recognition and control, etc. There is a focused safety effort in both the mills in critical areas of operation.

IP's LIFE {Life Impacting (Changing) and Fatality Elimination} Program has been introduced which covers machine guarding, electrical safety, confined spaces safety, permit-towork system, operation of motorized equipment, use of harmful substances or equipment and driver safety.

We are integrating IP's mandatory health and safety compliance and performance standards into the operating philosophy of both the units, and enhancing existing site policies and procedures to take operational safety to the next level. Indeed, there are already a few pockets of excellence.

We are building competencies for safe outages. Our Reliability group helps follow the international best practices like scaffolding, sewage water management, electrical safety, confined spaces entry programs during the outages. Employees and contractors are being helped, trained and coached to plan and execute safe shutdowns.

The business model includes driving social and environmental change and





in order to implement them on a comprehensive and systematic basis, the Company has begun developing meaningful performance metrics. Amongst several safety metrics being tracked, one of the key indicators is the Total Incident Rate (TIR) which helps track our safety performance by measuring the number of reportable incidents per 200,000 man hours worked. We achieved our best-ever TIR of 0.56 in the 15 month period ended March 2013. This is a significant incremental improvement over the 9 month period ended December 2011 when the metrics indicated 7.48.

Similarly, Lost Work Day Incident Rate (LWIR) stood at 0.34 for the period ended March 2013, a significant drop from 1.67 recorded in the period ended December 2011. As we move closer to our goal of zero incidents, we are focused on continued reduction in total incidents as well as in lost workdays and severe, life-changing injuries.

Sustainability

During the period under review, APPM made significant progress in the following key areas:

Focusing on being energy self sufficient during a period of acute shortage of grid power. In fact, APPM has turned carbon positive with over 70% of the energy needs being met through steam produced by use of black liquor, a biomass based fuel generated as a by-product of our pulping process. We therefore use efficient, renewable energy while significantly reducing dependence on hydrocarbons.

- Improving water consumption and waste water treatment performance; we have been able to achieve about 10% reduction in the water consumption and waste water generation through in-house team efforts.
- Reducing fiber losses in process and pulp mill operations, mitigating to a significant extent constraints in availability of fiber and sharp cost escalation.
- The Ministry of Environment and Forests has set out a corporate charter on several parameters like water consumption, BOD, COD, AOX, TSS etc. The charter for pulp and paper sector is at an advance stage of implementation. The Company is already in compliance with the proposed norms.
- Bureau of Energy Efficiency sets sector specific targets on power consumption. APPM has successfully achieved those targets including power consumption targets per ton of paper produced.

Going forward, we are working towards establishing an accident-free workplace, improving energy efficiency, reducing water usage, reducing greenhouse gas emissions, and minimizing generation and disposal of waste in the manufacturing process.

We recognize that implementing sustainability is a never-ending progression. It's a cultural transformation, a continuous process and we are focusing on vital areas that can make an impact. Expectations will change, best practices will develop and newer standards will be set. APPM is unswervingly committed to continually improving its sustainability performance. We shall make rapid and meaningful progress.



Nurturing talent, raising performance

We have begun what will be a continuous improvement process, engaging employees to execute change at the work process level.

With around 2,500 employees, Human Resource management at APPM aims to acquire employees best suited to the Company, to nurture them and build long-term loyalty. The Company policy fosters a corporate culture in which the spirit of enterprise and initiative are encouraged and promoted at all levels. APPM aspires to be a model employer and offers its employees safe and attractive working conditions, fair and respectful treatment and rewards excellent performance.

On their part, the employees assume responsibility, both for the success of the Company and implementation of APPM's corporate values. In order to sharpen our competitive edge and continually strengthen our performance, employees are encouraged to realize their full potential, contribute their skills with energy and deliver the agreed results. The three cornerstones of our Human Resource management are developing talent, a result-oriented approach and a shared commitment to the corporate culture.

In pursuit of the Company's objective to gain a true competitive advantage and industry leadership through development of a continuous improvement and high performance culture, the following HR initiatives were taken up during the year under review:

- Global Employee Engagement Survey (GES) was introduced for the first time in the Company to assess employee satisfaction and identify the areas of improvement through impact planning. This was done by mapping all associates to their respective managers, with sessions held across the Company for awareness and by impact planning for all departments;
- Contribution Summary Assessment as a performance measurement and management tool was introduced in the first quarter of 2012. All the senior staff received orientation on the concepts, and individual and group objectives were set;
- Career Development Worksheet was introduced towards the last quarter of 2012 to capture career aspirations, developmental needs, mobility etc;



- Basic employee demographics were assessed and role definitions were established for the first time;
- Leadership assessment and transformation initiatives were undertaken to assess the current leadership levels using the Lominger Tool and to improve the gaps through focused coaching and counseling sessions. This assessment included key leaders of the Company;
- A total of 17 employees were selected as part of the IP Leadership Institute for a week-long program in the USA. These employees are expected to grow into future leaders;
- A structured performance assessment was introduced that focused on differentiation based on performance;
- The annual merit revision exercise was linked to the performance assessment that highlighted the performance-based pay process, homogenized pay structures and rationalization, unified compensation across the organization and focused on key employee retention;
- The Company has taken steps to be an equal opportunity employer. Women have been recruited and placed in positions of

- responsibility at all levels of management, including senior management; and
- A dedicated women's network was introduced to foster their professional development, create a forum to learn and lead, get to know peers within IP and APPM and to support career management.

All these initiatives have created an employee bias for action, effectiveness and results, which in turn, are creating systematic, measurable parameters for reducing costs and improving efficiencies. We have begun what will be a continuous improvement process, engaging employees to execute change at the work process level.

The Company therefore has begun constructing a framework to align individuals' goals to the corporate results and a merit system that measures and rewards performance. International Paper's processes and tools are making it easier for employees to reconcile their personal and professional goals. There is already a significant improvement in employee engagement, with demonstrated improvement in accountability, energy levels and enthusiasm. Across APPM, employees are cultivating the Company's future and setting the stage for renewed growth and profitability.



Engaged employees, empowering communities

At APPM, our corporate vision is to 'support, enhance and respect the communities where we live and work.'

Even as APPM has been involved in community development work since its inception, it was in 1995 that the concept of strengthening its relations with the local stakeholders (Neighborhood, women, children and others) gained momentum. After its acquisition by International Paper (IP) and as part of aligning processes towards IP's global sustainability focus areas, APPM has reinforced its commitment towards education, environment and employee engagement.

Wherever we do business, our priority is to contribute positively to the communities that we serve. A number of development initiatives are run in communities around our manufacturing facilities as well as in far-flung areas, through constant and well-monitored support to education and environment aimed towards community sustainability. Our focus areas are education, watershed management, women empowerment through skill development initiatives, provision of drinking water, youth empowerment, medical health camps, environmental conservation program, promotion of sports and a host of extracurricular activities at local levels.

EMPLOYEE, EMPOWERMENT AND ENGAGEMENT TOWARDS COMMUNITY INVOLVEMENT PROGRAM (E3C) - ENRICHING LIVES EVERY DAY

The significant aspect of our activities relates to the fact that we have a very large number of enthusiastic employees who act as volunteers and change agents offering community service and seeking opportunities to improve the lives of people around our facilities. Their commitment and active participation by offering their time, talent and capabilities adds to the sustainability of our efforts, fosters a change in the community, makes a cultural impact and sustains a highperformance culture. It needs to be emphasized that in every activity, our employees have voluntarily engaged and are making an impact.

The Company, in consultation with its people, has designed an employee engagement system whereby the employees volunteer towards community work during disasters and natural events such as cyclones, flood and fire accidents. They have also been supporting local government schools, contributing in cash to support school education, creating awareness on health and several other humanitarian deeds.

Our focus areas are education, watershed management, women empowerment through skill development initiatives, provision of drinking water, youth empowerment, medical health camps, environmental conservation program, promotion of sports and a host of extracurricular activities at local levels.

66

Our sustainability reach encompasses more now than at any other time in our company's history. From our global facilities to our sourcing methods, to our products, our customers, our communities and suppliers, numerous stakeholders play a role in International Paper's sustainability continuum.

"

John V. Faraci

Chairman and Chief Executive Officer International Paper

Employees of APPM are enthusiastic and have been working towards creating awareness on health and protection of the environment such as:

- a. Nutrition awareness events, blood donation camps, awareness on HIV/AIDS etc.
- b. Plantation of saplings in and around the mill areas
- c. Volunteering during times of accidents and disasters
- d. Dedicating themselves to protect the environment

While there are several initiatives that have been rolled out by us, a few of the key activities are highlighted below:

EDUCATION

IP India and APPM are committed to provide quality education with improved infrastructure at the APPM Model School in Rajahmundry. These facilities have reached 75% of the total population of the nearby villages. Our endeavor is to provide quality education at nominal cost to the less privileged. Apart from academics, the school is working towards safety, health and hygiene of all students, with special focus on the girl child.

Project 100: The project is to support every child's need for basic infrastructure in 100 Zilla Parishad Schools over a timeframe of 5

years to motivate school-going children to study better. The support provided to 5 schools on a pilot basis across the farm forestry areas of Visakhapatnam and Prakasham regions included drinking water facilities, lights and fans, benches, desks, chairs, books, stationery and other facilities including smokeless chullas for cooking of hygienic mid day meals at school. Such support has helped create a friendly environment for children's education.

The provision of schoolbags was a simple yet effective support for the children since the monsoons make it difficult for children to carry their books safely.

Project Kshitija: We launched a new CSR initiative called 'Project Kshitija'. Through this initiative, APPM has distributed 1,000 solar based study aids to students in 7 districts of Andhra Pradesh covering the forest region where there is an acute shortage of power.

In the absence of power, students in villages either give up on studies or use street lights or kerosene lamps to study in the night which is expensive, unsafe and impacts their health due to the fumes but also does not provide adequate illumination, leading to poor eyesight. The solar lamps enable the students to have an effective, portable, zero maintenance solution while saving fuel (hydrocarbon, wood) and reduce the long term impact on their health. We aim to benefit 5,000 students over the next three years.





IP India and APPM were awarded the '2013 Award for Outstanding Rural Development' at the World CSR Congress in Mumbai.

From amongst 60 companies across South Asia, the award, 'Corporate Social Responsibility - Rural Development' was given to APPM for improving the livelihood of farmers in the Mamidilova village.

Through this initiative, we have reached out to 1.000 students of Zilla Parishad Schools in 7 districts (East Godavari, Visakhapatnam, Srikakulam, West Godavari, Prakasham, Krishna and Guntur districts in Andhra Pradesh) covering the forest region where the electricity shortage is a huge deterrent to child education. APPM provided these solar energy lamps to the students of 10th Standard who had appeared in the Board Examinations to ensure they are well equipped to study during night hours. Results shown by the school students where the lamps were distributed was 96% in the recent examinations as against 63% in the previous year.

Women empowerment: A vocational training initiative is on-going at Mallyapeta and Palacheerla villages of Rajanagram Mandal to train women not only in stitching and embroidery, but also to impart value education to enable them to live a better life. Almost 600 students have already graduated under this livelihood support program and enhanced their skills and capabilities.

ENVIRONMENT

IP India and APPM are acutely aware

that the business relies on healthy forests and that fiber is sourced from responsibly managed lands. The commitment to sustainability goes beyond the trees and is focused on efficient use of natural resources, pollution prevention and continuous performance improvement through technology and employee engagement. APPM has always taken a sustainable approach to business that balances environmental, social and economic needs. This approach has served the Company and society well. Better management of the environment has been good for the business.

Watershed management - Check dams: As part of the efforts in the area of sustainability and community development, APPM constructed a check dam at the Mamidilova village near Visakhapatnam in August, 2012. This resulted in a substantial increase of cultivated and irrigated area from 800 acres to 5,000 acres. A subsequent boost to the farmer population of that area (from about 800 to 2,800 persons) was also recorded.

This initiative is likely to significantly impact the growth of paddy and cash

Over a period of four years, it is estimated that Casuarina cultivation would increase from 20,000 MT to 70,000 MT along with cash crops and paddy, resulting in an increase in the income of farmers in the region by about ₹15 crore.

crops such as vegetables, pulses, nuts etc and will bring economic & social upgradation to the farmers in the belt. It was estimated that those farmers, who took to cultivating Casuarina saplings supplied by the APPM cloning center, would be able to increase their income manifold over the next few years. Over a period of four years, it is estimated that Casuarina cultivation would increase from 20,000 MT to 70,000 MT along with cash crops and paddy, resulting in an increase in the income of farmers in the region by about ₹15 crore.

IP India and APPM were awarded the '2013 Award for Outstanding Rural Development' at the World CSR Congress in Mumbai. From amongst 60 companies across South Asia, the award, 'Corporate Social Responsibility - Rural Development' was given to APPM for improving the livelihood of farmers in the Mamidilova village. This recognition is a strong testimony of our continuing efforts in the area of sustainability and community development, and a reflection of the work undertaken over the past several years by our farm forestry team.

Green Wave Campaign: Launched in November 2012, APPM promotes greater awareness for environmental responsibility by motivating hundreds of children around Rajahmundry to pledge and plant trees

and understand the need for green cover.

Safe Water Project: Provision of safe drinking water to the villagers (Kotilingalapeta, Shiva Temple area, Kailasagiri, Katheru Panchyat areas) around Rajahmundry is an initiative of APPM that goes beyond business. The households in these areas are provided protected water supplied through pipelines and where necessary, also through tankers such as in the remote areas in Katheru village where there are no pipelines.

APPM recognized that community members in Venkatanagaram Village on the banks of River Godavari were prone to waterborne diseases. Two overhead structures have been erected, one for community water usage through reverse osmosis, and another to ensure safe drinking water. Now, every household and school drinks safe drinking water.

EKKO-Talz: Local artisans need encouragement to enhance their skills as well as sustainable marketing linkages to provide better living conditions. Project EKKO-talz helps local artisans living in the farm forestry areas, working on age-old, craft making traditions, to offer innovative craft products for the modern consumer and sustain the art.

Board of Directors



Sitting (Left to right):

Mr. Michael Baymiller Mr. Rampraveen Swaminathan

Mrs. Ranjana Kumar Mr. Thomas G. Kadien

Mr. Adhiraj Sarin

Standing (Left to right):

Mr. Milind Sarwate

Mr. M.S. Ramachandran

Mr. W. Michael Amick Jr.

Mr. Kenneth P. Huelskamp

Mr. Brett Allen Mosley

Mr. M.K. Sharma

Corporate Information

ANDHRA LEAD TEAM

Mr. C. Prabhakar

Senior Vice President (Corporate Affairs) & Company Secretary

Mr. Jaspal Singh

Senior Vice President (Sales & Marketing)

Mr. Ch. V. Rama Raju

Senior Vice President (Operations) & Mill Manager Unit:Rajahmundry

Ms. Jayashree Satagopan

Senior Vice President & CFO

Mr. V.V.B. Vasantharao

Senior Vice President (Operations) & Mill Manager Unit:Kadiyam

Mr. K. Krishna Mohan

Vice President (Products & Services)

Mr. Atanu Chakrabarti

Vice President (Supply Chain)

Mr. P. Sreenivas

Associate Vice President (IT)

Mr. V. Srinivasa Rao

Associate Vice President (HR)

Mr. Joseph Vinod Kumar K.

General Manager (Legal)

Ms. Seema Nallani

General Manager (CSR)

Registered Office

Rajahmundry - 533 105 East Godavari District Andhra Pradesh, India

Phone: +91(883) 247 1831 to 1834 Fax: +91(883) 246 1764 & 301 3000

Corporate Office

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

Fax: +91 40 3312 1010

Works Unit:RAJAHMUNDRY

Rajahmundry - 533 105 East Godavari District, Andhra Pradesh, India

Phone: +91(883) 247 1831 to 1834 Fax: +91(883) 246 1764 & 301 3000

Unit:KADIYAM

Industrial Area, MR Palem - 533 126 Kadiyam Mandalam, East Godavari District, Andhra Pradesh, India Phone: +91(883) 245 4651 Fax: +91(883) 245 3538

Website

www.andhrapaper.com

Auditors

Deloitte Haskins & Sells, Chartered Accountants Hyderabad

Cost Auditors

Narasimha Murthy & Co., Cost Accountants Hyderabad

Bankers

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

Notice

NOTICE is hereby given that the 49th Annual General Meeting of the Members of The Andhra Pradesh Paper Mills Limited will be held on Tuesday, August 6, 2013 at 11.30 a.m. at Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103, East Godavari District, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS

- To consider and adopt the Balance Sheet as at March 31, 2013, Statement of Profit and Loss for the year (15 month period) ended as on that date and the Reports of the Directors and Auditors thereon.
- To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Deloitte Haskins & Sells (Firm Registration No.008072S), Chartered Accountants, Hyderabad, be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be decided by the Board of Directors of the Company."

SPECIAL BUSINESS

- To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
 - "RESOLVED THAT Mr. M. K. Sharma be and is hereby appointed as Independent Director of the Company in the vacancy created by the resignation of Mr. P. K. Paul, Independent Director and in respect of which vacancy, the Company has received a notice in writing, proposing his candidature under the provisions of Section 257 of the Companies Act, 1956."
- To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
 - "RESOLVED THAT Mr. Adhiraj Sarin be and is

- hereby appointed as Independent Director of the Company in the vacancy created by the resignation of Mr. P. R. Ramakrishnan, Independent Director and in respect of which vacancy, the Company has received a notice in writing, proposing his candidature under the provisions of Section 257 of the Companies Act, 1956."
- To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
 - "RESOLVED THAT Mr. Millind Sarwate be and is hereby appointed as Independent Director of the Company in the vacancy created by the resignation of Mr. Rajiv Kapasi, Independent Director and in respect of which vacancy, the Company has received a notice in writing, proposing his candidature under the provisions of Section 257 of the Companies Act, 1956."
- To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
 - "RESOLVED THAT Mr. Kenneth P. Huelskamp who was appointed as an Additional Director of the Company by the Board of Directors under Article 129 of the Articles of Association of the Company and who ceases to hold office pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 in writing, proposing his candidature for the office of Director be and is hereby appointed as Director of the Company."
- To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
 - "RESOLVED THAT Mr. Michael Baymiller who was appointed as an Additional Director of the Company by the Board of Directors under Article 129 of the Articles of Association of the Company and who ceases to hold office pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 in writing, proposing

his candidature for the office of Director be and is hereby appointed as Director of the Company."

 To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT Mr. W. Michael Amick Jr. who was appointed as an Additional Director of the Company by the Board of Directors under Article 129 of the Articles of Association of the Company and who ceases to hold office pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 in writing, proposing his candidature for the office of Director be and is hereby appointed as Director of the Company.

FURTHER RESOLVED THAT subject to the provisions of Section 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any other statutory modification(s) or re-enactment thereof, the consent of the Company be and is hereby accorded to the appointment of Mr. W. Michael Amick Jr. as Whole time Director designated as Executive Chairman of the Company, who will not be liable to retire by rotation, for a period of five years with effect from August 23, 2012 without any remuneration.

The contract of appointment of five years may be terminated by either party by giving six months' notice in writing to the other party."

 To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT in partial modification of the resolution passed at the 48th Annual General Meeting held on March 22, 2012 and in accordance with the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or reenactment thereof for the time being in force) and subject to such consents, sanctions and permission as may be necessary in law, approval of the

Company be and is hereby given for payment of remuneration to Mr. Rampraveen Swaminathan for a period of three years from March 2, 2012 to March 1, 2015 as set out in the Explanatory Statement attached to this notice.

FURTHER RESOLVED THAT in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Mr. Rampraveen Swaminathan as Managing Director & CEO, the remuneration as set out in the Explanatory Statement shall be paid and allowed to him as minimum remuneration notwithstanding the absence or inadequacy of profits in any year.

FURTHER RESOLVED THAT the Board of Directors or a duly constituted Committee thereof be and is hereby authorised to do all such acts, deeds, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this Resolution."

 To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT in modification of the resolutions passed at the 44th Annual General Meeting held on September 27, 2008 and 46th Annual General Meeting held on July 15, 2010 and in accordance with the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or reenactment thereof for the time being in force), the approval of the Company be and is hereby accorded for payment of remuneration of ₹31.10 lakhs to Mr. P.K. Suri, former Director (Operations) during the period from January 1, 2012 to July 13, 2012 as minimum remuneration as set out in the Explanatory Statement notwithstanding the absence or inadequacy of profits."

 To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT in supersession of the resolution passed by the Members at the 19th Annual General

Meeting of the Company held on December 29, 1983 and pursuant to the provisions of Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Board of Directors of the Company (hereinafter referred to as "the Board") be and is hereby authorised to contribute, from time to time, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, such amount or amounts, as the Board may in its absolute discretion deem fit PROVIDED HOWEVER THAT the total amount that may be so contributed in any financial year of the Company shall not exceed ₹20,000,000 (Rupees Two Crore only) or five per cent of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, whichever is greater."

FURTHER RESOLVED THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary and/or expedient for implementing and giving effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard on behalf of the Company."

By Order of the Board For The Andhra Pradesh Paper Mills Limited

C. Prabhakan

C. Prabhakar

Sr. Vice President (Corporate Affairs) & Company Secretary

Registered Office: Rajahmundry - 533 105 East Godavari District, Andhra Pradesh May 2, 2013

Notes

- i. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- ii. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 3 to 11 is annexed hereto.
- The Register of Members and Share Transfer Books of the Company will remain closed from July 23, 2013 to August 6, 2013 (both days inclusive).
- iv. Trading in equity shares of the Company through stock exchanges is permitted only in dematerialized form. Members can dematerialize their equity shares in the Company through their Depository Participant(s). The ISIN in respect of equity shares is INE435A01028.

- v. Members holding shares in physical form are requested to notify any change in their address immediately to the Registrar and Transfer Agents, Karvy Computershare Private Limited, Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad 500 081 and those Members holding shares in electronic form should inform change in their address to their Depository Participant(s).
- vi. Members are requested to bring their copies of Annual Report to the Meeting.
- vii. As per provisions of the amended Companies Act, 1956 facility for making nomination is available to the investors in respect of the shares held by them in physical form. The investors holding shares in physical form can download the nomination form as prescribed under the Companies Act, 1956 from our Website: www.andhrapaper.com. In respect of shares held in electronic form, the nomination should be recorded with the respective Depository Participants. The Company would not accept any nomination in respect of the shares held in electronic form.

viii. ECS Mandate form is also placed on our website.
Interested Members holding shares in physical form
can download this form from the website.

ix. INFORMATION REQUIRED UNDER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed are given below:

a. Mr. M.K. Sharma was appointed as Independent Director of the Company on December 6, 2011. He holds Bachelors Degree in Arts and Law besides P.G. Diploma in Personnel Management and Labour Laws.

Mr. Sharma currently practices as a corporate consultant and his areas of specialization include regulatory, corporate & securities laws, mergers, amalgamations and disposals, joint ventures, intellectual property law, advertising law, anti trust law, employment law and indirect taxation. After a six-year stint in DCM Limited, he joined Hindustan Lever Limited (HLL) in 1974 as Legal Manager. During his tenure at HLL, Mr. Sharma worked on corporate restructuring of Unilever Group in India, which culminated in creation of One Unilever corporate structure. He retired as the Vice Chairman of Hindustan Unilever Limited in May, 2007. He was a member of Managing Committee/National Committee ASSOCHAM, FICCI, CII and Bombay Chamber of Commerce & Industry. Mr. Sharma is currently on the Boards of Wipro Limited, ICICI Lombard General Insurance Company Limited, Fulford (India) Limited, KEC International Limited, Asian Paints Limited, Travel Corporation (India) Limited and as Chairman of Thomas Cook (India) Limited and India Infradebt Limited and is a Managing Committee Member of International School of Business, Hyderabad.

He holds 10,000 equity shares of ₹10 each in the Company.

b. Mr. Adhiraj Sarin was appointed as Independent Director of the Company on December 6, 2011. He holds a Bachelors Degree in Engineering from IIT, Kanpur.

Mr. Sarin was the Managing Director of Bunge India, a global major in agri-commodities till April 10, 2013. He led a significant expansion at Bunge, with included acquisition of companies in India. He also was the Managing Director of Tube Investments of India, a precision engineering company of the Murugappa Group in Chennai. Mr. Sarin also worked for 25 years in Hindustan Unilever Limited (HUL) where he started his career as a Management Trainee in 1974 and his last assignment in HUL was Managing Director of Hind Lever Chemicals, the fertilizer and specialty chemicals subsidiary of HUL.

He holds 2,000 equity shares of ₹10 each through his relative in the Company.

c. Mr. Milind Sarwate was appointed as Independent Director of the Company on December 6, 2011. He holds a Bachelors Degree in Commerce. He is a Member of the Institute of Company Secretaries of India, the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India.

Mr. Milind Sarwate has over 27 years of experience spread across diverse domains such as consumer products, finance, corporate development & strategy, product supply, and human resources. He joined Marico in 1998 and has since then held several leadership positions, and been instrumental in driving the growth journey for the company. His current role encompasses human resources, M&A, corporate communication and strategic business planning for the Marico Group. Prior to Marico, he was associated with Hoechst (Aventis) and the Godrej Group.

Besides being a Member of the Boards of several overseas companies of the Marico Group, he is a Non-Executive Director on the Board of Geometric Limited, 3D PLM Software Solutions Limited, Hindustan Polyamides & Fibers Limited, Marico Consumer Care Limited, Marico Kaya Enterprises Limited, and Halite Personal Care India Private Limited and also a member of Executive Board of Marico Innovation Foundation (a company incorporated under Section 25 of the Companies Act, 1956). He has been a past Member of Board of Governors, Institute of Internal Auditors, Inc., Mumbai Chapter (2004-07).

He does not hold any shares in the Company.

 d. Mr. Kenneth P. Huelskamp was appointed as an Additional Director of the Company on July 13, 2012.

He currently serves as the Chief Financial Officer of IP Paper (India) Private Limited. Mr. Huelskamp began his career with International Paper in 1997 as Cost Analyst Stamford, P&C Papers and later held the role of International Tax Analyst, Memphis, and Finance. Throughout his career, he has held a number of different positions, including Manager Strategic Planning, Memphis Forest Products; he also held the role of Finance Director for Tobacco, Consumer Packaging. Prior to his current position in India, he was the Business Controller for Recycling, Industrial Packaging.

Mr. Huelskamp holds Bachelor of Science in Business Administration (Accounting & Finance) from the Wright State University, Dayton (OH) and Juris Doctorate (Financial & International Business Law Focus) from New York Law School.

He does not hold any shares in the Company.

e. Mr. Michael Baymiller was appointed as an Additional Director of the Company on July 13, 2012. He currently serves as Director, Human Resources of IP Paper (India) Private Limited. He has served in this role since July, 2011 and is focusing on providing strategic HR leadership to support the Company's growing business in the region.

Mr. Baymiller began his career with International Paper in 1985 as a Personnel Analyst at IP's former mill in Natchez. Throughout his career, he has held a number of different HR positions within Printing Papers, Forest Products, Container Board mills and box plants before being named Director, HR for IP's Forest Products business in 1999. Prior to his current position in India, he was Director, HR for IP's Asia business in Shanghai where he was instrumental in building the foundation to support IP's growth in China and the Asia region.

Mr. Baymiller holds a Bachelor of Science Degree in Management from Troy University in Troy, Alabama. He is on the Boards of IP Corporate Management (Shanghai) Company Limited and IP Holding Asia Singapore Pte. Limited.

He does not hold any shares in the Company.

f. Mr. W. Michael Amick Jr. was appointed as an Additional Director of the Company on July 13, 2012. He is the President of IP Paper (India) Private Limited and assumed charge as Executive Chairman of APPM on August 23, 2012. He is focused on establishing a strong presence for International Paper in India and strategically growing the business in the region.

Mr. Amick began his career with International Paper in 1990 as Supervisor at IP's former mill in Bastrop, LA., and later held the role of Facility Manager at the Springhill, LA., facility. Throughout his career, he has held a number of different positions, including Regional General Manager in the company's Container business, Strategic Planning Executive with IP's former Coated Papers division and Customer Technical Services Manager for Printing Papers. He also led the company's Supply Chain transformation, which focused on driving improvements across the company's North American manufacturing businesses, and held the role of Executive Vice President, XPEDX. Prior to his current position in India,

he was the Vice President and General Manager for the Coated Paperboard business.

Mr. Amick holds a Bachelors Degree in Finance from the University of South Alabama, and a Masters Degree in Business Administration from the University of North Carolina. He is actively involved in the community and served on the Board of Directors for the Memphis Regional Chamber of Commerce for six years. He is currently on the Board of IP Holding Asia Singapore Pte. Limited

He does not hold any shares in the Company.

g. Mr. Rampraveen Swaminathan is a Commerce Graduate from St. Josephs Commerce College, Bangalore with a Post Graduate Diploma in Industrial Management from T.A. Pai Management Institute, Manipal. He also attended an Executive Education program at Harvard Business School on 'Strategic Agility' in 2007. He assumed charge as Managing Director & CEO on March 2, 2012

He served as Executive Director, Power Systems Business in Cummins Inc, USA. In this role, he had global responsibility for Integrated Power Systems, Power Distribution and Power Projects. Mr. Swaminathan joined Cummins in 1999, and his prior roles in Cummins include leading the global Power Electronics Business, and leading the Power Generation Business in India. Prior to Cummins, he worked with the Tata Group, and was a member of the Tata Administrative Service.

He does not hold any shares in the Company.

Explanatory Statement

Pursuant to Section 173 (2) of the Companies Act, 1956

Item 3

The Board of Directors of the Company at their meeting held on December 6, 2011 appointed Mr. M. K. Sharma as Independent Director to fill the casual vacancy caused by the resignation of Mr. P. K. Paul, Independent Director.

As per Section 262 of the Companies Act, 1956, Mr. M. K. Sharma will hold office up to the date Mr. P. K. Paul would have held office had it not been vacated.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Mr. M. K. Sharma for appointment as a Director of the Company.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors, except Mr. M. K. Sharma, is concerned or interested in the said Resolution.

Item 4

The Board of Directors of the Company at their meeting held on December 6, 2011 appointed Mr. Adhiraj Sarin as

Independent Director to fill the casual vacancy caused by the resignation of Mr. P. R. Ramakrishnan, Independent Director.

As per Section 262 of the Companies Act, 1956, Mr. Adhiraj Sarin will hold office upto the date Mr. P. R. Ramakrishnan would have held office had it not been vacated.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Mr. Adhiraj Sarin for appointment as a Director of the Company.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors, except Mr. Adhiraj Sarin, is concerned or interested in the said Resolution.

Item 5

The Board of Directors of the Company at their meeting held on December 6, 2011 appointed Mr. Milind Sarwate as Independent Director to fill the casual vacancy caused by the resignation of Mr. Rajiv Kapasi, Independent Director.

As per Section 262 of the Companies Act, 1956, Mr. Milind Sarwate will hold office upto the date Mr. Rajiv Kapasi would have held office had it not been vacated.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Mr. Millind Sarwate for appointment as a Director of the Company.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors, except Mr. Milind Sarwate, is concerned or interested in the said Resolution.

Item 6

The Board of Directors of the Company at their meeting held on July 13, 2012 appointed Mr. Kenneth P. Huelskamp as an Additional Director and he holds office up to this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Mr. Kenneth P. Huelskamp for appointment as a Director of the Company.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors, except Mr. Kenneth P. Huelskamp, is concerned or interested in the said Resolution.

Item 7

The Board of Directors of the Company at their meeting held on July 13, 2012 appointed Mr. Michael Baymiller as an Additional Director and he holds office up to this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Mr. Michael Baymiller for appointment as a Director of the Company.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors, except Mr. Michael Baymiller, is concerned or interested in the said Resolution.

Item 8

Consequent upon resignation of Mr. Paul Brown as Executive Chairman, the Board of Directors of the Company at their meeting held on July 13, 2012 appointed Mr. W. Michael Amick Jr. as an Additional Director and designated as Executive Chairman for a period of five years from the date of his joining pursuant to the provisions of Section 269 read with Schedule XIII and any other applicable provisions of Companies Act, 1956 and pursuant to Article 150A of the Articles of Association of the Company. He assumed charge as Executive Chairman on August 23, 2012.

In compliance with the provisions of Schedule XIII, the Company had applied to the Central Government seeking approval for appointment of Mr. W. Michael Amick Jr. as Wholetime Director designated as Executive Chairman of the Company for a period of 5 years with effect from August 23, 2012 which is awaited.

He holds office up to this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Mr. W. Michael Amick Jr. for appointment as a Director of the Company.

The above may be treated as an abstract of the terms of appointment of Mr. W. Michael Amick Jr. under Section 302 of the Companies Act, 1956.

The Board believes that his appointment as Executive Chairman will provide immense value to the Company and commends the Resolution as set out in the Notice for approval by the Members.

None of the Directors, except Mr. W. Michael Amick Jr., is concerned or interested in the said Resolution.

Item 9

Mr. Rampraveen Swaminathan was appointed as Managing Director & CEO of the Company for a period of

five years w.e.f. March 2, 2012 with the approval of the members of the Company obtained at the Annual General Meeting held on March 22, 2012 and for the payment of remuneration as set out below.

- i. Salary: ₹800,000 (Rupees Eight Lakhs only) per month with such increments as may be determined by the Board of Directors of the Company from time to time in the salary range of ₹800,000 to ₹1,600,000.
- ii. Performance incentive: Not exceeding 40% of the salary payable annually for each financial year as may be decided by the Board. However, depending on the performance of the Company, it may go up to 80% of the salary, as may be determined by the Board.
- iii. **Personal allowance:** 15% of the salary per month.

iv. Perquisites

- a. **Housing:** The expenditure incurred by the Company in providing furnished accommodation to the Managing Director shall not exceed 60% of his salary. In case no accommodation is provided by the Company, he shall be entitled to house rent allowance at 60% of salary per month.
- b. **Helper allowance:** ₹3,500 per month.
- c. Food coupons/allowance: ₹1,300 per month.
- d. **Conveyance:** Car with driver to be provided by the Company.
- e. **Telephone:** Provision of telephone at the residence and cell phone.
- f. Leave travel concession, contribution to provident fund and gratuity: As per the Rules applicable to the senior staff of the Company.
- g. Medical reimbursement: Subject to a ceiling of one month salary per annum.
- h. **Club fees:** Fees of clubs subject to a maximum of two clubs.
- i. Personal accident insurance premium: Not exceeding ₹7,500 per annum.

- Leave: Leave in accordance with rules applicable to the senior staff of the Company.
- Such other benefits, amenities, facilities and perquisites as may be permitted by the Board of Directors to the Managing Director.
- v. Use of Company's car for official purposes, cell phone, telephone at residence and encashment of leave at the end of the tenure and contribution to provident fund, and gratuity will not be considered as perquisites.
- vi. In the event of loss or inadequacy of profits in any financial year, the Managing Director shall be paid remuneration by way of salary, allowances and perquisites as specified under Section II of Part II of Schedule XIII of the Companies Act, 1956 or within such ceilings as may be prescribed under Schedule XIII from time to time or the Companies Act, 1956 and as may be amended from time to time.
- vii. The Managing Director & CEO shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
- viii. The contract of appointment of five years may be terminated by either party by giving six months' notice in writing to the other party.

The Board of Directors at their meeting held on April 23, 2013 revised the remuneration payable to Mr. Rampraveen Swaminathan, Managing Director & CEO on the recommendation of Remuneration Committee with effect from March 1, 2013 as under:

- Personal Allowance: 23.96% of basic per month in lieu of 15% by clubbing food coupons/allowance, helper allowance and medical allowance excluding non-taxable portion.
- ii. Medical reimbursement: ₹1,250 per month.
- iii. Group Health Insurance, Group Term Life Insurance and Group Personal Accident Insurance in lieu of personal accident insurance, shall be as per the schemes/rules applicable to the senior staff of the Company.

The other elements of remuneration package approved by the members of the Company at the Annual General Meeting held on March 22, 2012 shall remain unchanged.

Notwithstanding anything stated elsewhere, Mr. Rampraveen Swaminathan during the currency of his tenure as Managing Director & CEO, shall be entitled to the above remuneration package of salary and perquisites, irrespective of the condition that the said remuneration shall exceed the ceiling on remuneration under Section 198 and 309 of the Act and also of the condition where the Company has no profits or its profits are inadequate.

The remuneration package of Mr. Rampraveen Swaminathan, Managing Director & CEO, does not require the approval of the Central Government, notwithstanding the fact that the same may exceed the limits laid down in Sections 269, 198 & 309 read with Schedule XIII of the Companies Act, 1956, by virtue of Notification No. G. S. R. 534(E) dated July 14, 2011 read with clarification No. F.No.14/11/2012-CL-VII dated August 16, 2012 issued by Ministry of Corporate Affairs, Government of India since:

- he is not having any direct or indirect interest in the capital of the Company or through any other statutory structures at any time during last two years before or on the date of appointment; and
- b. he holds a Bachelors Degree in Commerce and Post Graduate Diploma in Management from the T.A. Pai Management Institute, Manipal and attended Executive Education Programme at Harvard Business School in 2007 and has expert and specialized knowledge in the field of his profession.

In terms of the above notification, payment of remuneration and perquisites to Mr. Rampraveen Swaminathan as Managing Director requires the approval of the Members of the Company by way of a Special Resolution.

The above may be treated as an abstract of the terms of the Memorandum of Interest under Section 302 of the Companies Act, 1956.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors, except Mr. Rampraveen Swaminathan, is concerned or interested in the said Resolution.

Item 10

The Members of the Company at the Annual General Meeting held on September 27, 2008 appointed Mr. P.K. Suri as Whole-time Director designated as Director (Operations) for a period of five years with effect from May 12, 2008 and for the payment of remuneration as mentioned therein and further approved the revision in his salary at the Annual General Meeting held on July 15, 2010.

Mr. P.K. Suri was paid a remuneration of ₹31.10 lakhs during his tenure as Director (Operations) from January 1, 2012 to July 13, 2012.

The remuneration of Mr. P. K. Suri, former Director (Operations) does not require the approval of the Central Government, notwithstanding the fact that the samemay exceed the limits laid down in Sections 269, 198 & 309 read with Schedule XIII of the Companies Act, 1956, by virtue of Notification No. G. S. R. 534(E) dated July 14, 2011 read with clarification No. F.No.14/11/2012-CL-VII dated August 16, 2012 issued by Ministry of Corporate Affairs, Government of India since:

- he is not having any direct or indirect interest in the capital of the Company or through any other statutory structures at any time during last two years before or on the date of appointment; and
- he is a graduate in Chemical Engineering with expert and specialized knowledge in the field of his profession.

In terms of the above notification, payment of remuneration and perquisites to Mr. P. K. Suri, former Director (Operations) requires the approval of the Members of the Company by way of a Special Resolution.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors, except Mr. P.K. Suri, is concerned or interested in the said Resolution.

Item 11

Under Section 293(1)(e) of the Companies Act, 1956 ("the Act"), the Board of Directors of a public company cannot, except with the consent of its Members, contribute to charitable and other funds not directly relating to the business of the company or the welfare of its employees,

any amounts the aggregate of which will, in any financial year, exceed ₹50,000 (Rupees Fifty Thousand only) or 5% (five per cent) of the Company's average net profit as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

As the Company started focusing on CSR activities either directly or through any other agency, it is proposed to obtain the enabling approval of the Members of the Company for making contribution to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, during any financial year, for an amount of upto ₹20,000,000 (Rupees Two Crore only) or five percent of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

As the Members may be aware, the Company has always believed in strengthening and uplifting the communities across the country. With an ongoing focus on education, development of children, health for all and assistance to poor people, the Company would like to earmark funds for its 'Social Responsibility Initiatives' and hence the above recommendation for making contribution to charitable and other funds.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors is concerned or interested in the said Resolution.

By Order of the Board For The Andhra Pradesh Paper Mills Limited

C. Prabhakan

C. Prabhakar

Sr. Vice President (Corporate Affairs) & Company Secretary

Registered Office: Rajahmundry - 533 105 East Godavari District, Andhra Pradesh May 2, 2013 Statement as required in terms of Schedule XIII of the Companies Act, 1956 annexed to the Notice calling Annual General Meeting for approval of remuneration and terms and conditions of the appointment of Mr. Rampraveen Swaminathan, Managing Director & CEO and Mr. P.K. Suri, former Director (Operations)

(Please refer Resolutions No. 9 & 10 of the Notice dated May 2, 2013)

GENERAL INFORMATION

Nature of industry Manufacture of pulp, paper and paper board 1.

2. Date or expected date of commencement of : Incorporation of Company on June 29, 1964 commercial production Commencement of Business on July 10, 1964

In case of new companies, expected date of : Not applicable commencement of activities as per project approved by financial institutions appearing in the prospectus

Financial performance based on given indicators

: The key performance indicators of the Company during the previous three years are given below:

₹ Lakhs

Particulars	2010-11 (12 months)	2011 (9 months)	2012-13 (15 months)
Sales & Other Income	79862.08	60160.25	125361.61
Earnings before interest, depreciation & taxation (EBIDTA)	16393.75	7356.22	13876.67
Profit before Depreciation & Tax	12405.32	3745.88	8340.42
Net Profit/(Loss)	4494.22	(9781.22)	(2370.23)

Note: For further details, please refer to Annual Report.

Export performance and net foreign exchange: earnings

Exports are viable and the Company earned a foreign exchange equivalent to ₹11747.59 lakhs during the year (15 month period) ended March 31, 2013.

Foreign investments or collaborators, if any

Foreign Institutional Investors and Foreign Financial Institutions hold 910,085 equity shares of ₹10 each constituting 2.29% of the paid up capital of the Company and there is no foreign collaborator. The holding company viz., IP Holding Asia Singapore Pte. Limited holds 29,827,529 equity shares of ₹10 each aggregating to 75% paid up equity share capital of the Company.

II. INFORMATION ABOUT THE APPOINTEES

1. Background details

	Particulars	Mr. Rampraveen Swaminathan	Mr. P. K. Suri
i.	Age	38 years	54 years
ii.	Academic qualifications	Commerce Graduate with Post Graduate Diploma in Industrial Management.	Bachelor in Chemical Engineering.
iii.	Experience	Mr. Rampraveen Swaminathan served as Executive Director, Power Systems Business in Cummins Inc, USA, where he had global responsibility for integrated power systems, power distribution and power projects. Mr. Swaminathan joined Cummins in 1999, and his prior roles in Cummins include leading the global power electronics business, and leading the power generation business in India. Prior to Cummins, Mr. Swaminathan worked with Tata Group, and was a member of the Tata Administrative Service.	He started his career as an Executive Trainee in J.K. Paper Mills in November, 1978. His knowledge, attitude and contributions made him to serve in higher capacities and become Deputy General Manager (Technical Services) by 1990. Skills acquired, made him General Manager (Manufacturing) in 1996 in Star Paper Mills. He has been associated with the Company from May 1997 and had grown from General Manager to President (Operations).
iv.	Particulars of previous employment as whole-time Director	Executive Director, Power Systems Business in Cummins Inc, U.S.A.	Nil
V.	Date of approval of last appointment	His appointment as Managing Director & CEO was approved by Members at the Annual General Meeting held on March 22, 2012.	His appointment as Director (Operations) was approved by the Members at the Annual General Meeting held on September 27, 2008.
vi.	Approval for increase in remuneration, if any	Nil	Approved the increase in remuneration at the Annual General Meeting held on July 15, 2010.

2. Remuneration paid during the year ended March 31, 2013

₹ lakhs

	Particulars	Mr. Rampraveen Swaminathan¹	Mr. P. K. Suri ²
i.	Salary & allowances	199.97	18.01
ii.	Perquisites	0.45	4.26
iii.	Contribution to PF, superannuation		
	fund and gratuity	12.45	8.83
	TOTAL	212.87	31.10

¹ paid from March 2, 2012 to March 31, 2013.

² paid for the period from January 1, 2012 to July 13, 2012 before he resigned.

3. Recognition and awards

The Company received second prize in appreciation of achievements in Energy Conservation in Large Scale Industry Sector for the year 2011-12 from the Government of Andhra Pradesh.

The Company was awarded the '2013 Award for Outstanding Rural Development' at the world CSR Congress in Mumbai. The award is a global recognition for the Company's efforts in the area of social development.

The Company also received Forest Stewardship Council Certification (FSC), in respect of Unit: Kadiyam covering the production of paper using transfer and credit systems and sourcing of reclaimed material.

		Mr. Rampraveen Swaminathan	Mr. P. K. Suri
4.	Job profile and his sustainability	To oversee the Company's affairs and management, to implement the investment plans and make strategy for improving the performance of the Company. He has the ability to get better results by encouraging innovative ideas.	He was the in-charge of Company's Units at Rajahmundry and Kadiyam and was the Occupier for the units and responsible for the Company's performance.
5.	Remuneration proposed	Please refer Notice and the Explanatory Statement attached thereto.	Does not apply.
6.	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	Considering the size of the Company, the profiles of managerial personnel responsibility shouldered by them and the industry benchmark, the remuneration set out in the explanatory statement is commensurate with the remuneration packages paid to similar senior level appointees in other companies.	
7.	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any	Mr. Rampraveen Swaminathan and Mr. P.K. Suri do not hold any equity shares in the Company. Except employment with the Company, they do not have any other pecuniary relationship directly or indirectly and are not related to any other Director or management personnel.	

III. OTHER INFORMATION

1.	Reasons of loss or inadequate profits	The Company suffered a loss of ₹23.7 crore for the 15 month period ended March 31, 2013 in view of outage, abnormal increase in the cost of fiber, certain exceptional items and increase in legal and professional charges.
2.	Steps taken or proposed to be taken for improvement	Keeping the overall scenario of the industry, the Company is performing reasonably well and has been improving its operational efficiency across the segment, to gain competitive edge. The Company is strengthening its focus on supply chain management, quality control, captive production, strategic market alliances and expansions.
3.	Expected increase in productivity and profits in measurable terms	Barring unforeseen circumstances, the overall outlook for the financial year 2013-14 seems to be positive and the management is optimistic of achieving improvements in the Company's performance. However, it is extremely difficult in present scenario to predict profits in measurable terms but the above initiatives are expected to improve productivity and profitability.

IV. DISCLOSURES

The required disclosures as to remuneration package, etc. in respect of Mr. Rampraveen Swaminathan and Mr. P.K. Suri have been appropriately made in the Report on Corporate Governance annexed to and forming a part of the Directors' Report.

Directors' Report

Your Directors have pleasure in presenting the 49th Annual Report of the Company and the Audited Accounts for the 15 month period ended March 31, 2013.

The financial performance of the Company for the period under review is summarized in the table given below:

Financial Results

₹ Crore

	15 Month ended March 31, 2013	9 Month ended December 31, 2011®
Sales and other income	1253.62	601.60
Earnings before interest, depreciation & taxation (EBIDTA)	138.77	73.56
Less: Interest (including bank & finance charges)	55.36	36.10
Depreciation	87.94	50.62
Profit/(Loss) before tax	(4.53)	(13.16)
Less: Exceptional items	16.19	_
Provision for tax	2.98	84.65
Profit/(Loss) for the period	(23.70)	(97.81)

[®] Figures have been regrouped/reclassified, wherever necessary.

Change in the Financial Year

In order to have uniform financial year under various legislations, your Company has decided to change the financial year from January-December to April-March. Accordingly, current annual accounts and this Report of the Company are for a period of 15 months from January 1, 2012 to March 31, 2013. Therefore, the figures for the current period are not comparable with those of the 9 month period ended December 31, 2011.

Performance of the Company

Your Company adopted 5 strategic principles viz.

- a. Become the low cost producer
- b. Customer support excellence
- c. World class operations and focus on safety, environment and productivity
- d. Expand in printing and writing segments and
- e. Create a performance culture.

During the 15 month period ended March 31, 2013 your Company recorded:

 paper production of 258,201 MT as against 160,565 MT for the previous 9 month period ended December 31, 2011;

- revenue of ₹1230.50 crore from net sale of paper as against ₹595.23 crore for the previous 9 month period ended December 31, 2011;
- c. sales of 279,093 MT as compared to 1,39,786 MT. The Company managed to get a better Net Sales Realization per MT over the previous year due to upward price revisions across all grades and a change in the product mix;
- export volume of 37,819 MT as against 15,283 MT. Volume growth of 147% in exports accompanied by a sharp increase in prices improved net realization per MT;
- e. EBIDTA of ₹138.77 crore as against ₹73.56 crore;
- f. a loss of ₹23.70 crore in view of outage, abnormal increase in fibre cost, certain exceptional items and increase in legal and professional charges. The outage incurred at a cost of ₹35 crore, had an unfavourable impact on shipment of 13,000 MT. However, the outage completed without any LIFE incident resulted in increase in bleached pulp production and stabilization of power and paper machine performance.

Dividend

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

Raw Material Procurement

Your Company concentrated its efforts to procure pulpwood from South India with focus on State of Andhra Pradesh for meeting its entire requirement despite unprecedented competition from other paper manufacturers in this area.

During the year under review, 161.30 million quality saplings were distributed covering an area of 26,134 hectares under plantation against development and distribution of 120.70 million seedlings covering an extent of 16,823 hectares during the previous 2011 planting year. Research on clonal development has resulted in introduction of high yielding, disease resistant clones and versatile to a wide variety of agro-climatic conditions in inland and coastal areas.

Research and Development initiatives with low cost planting techniques, quality seed material and high yielding, short rotation planting stock have enhanced raw material availability spread over more than 158,891 hectares.

These benefits are extended to around 48,718 families creating employment resource pool of 79 million man-days especially in rural areas so far.

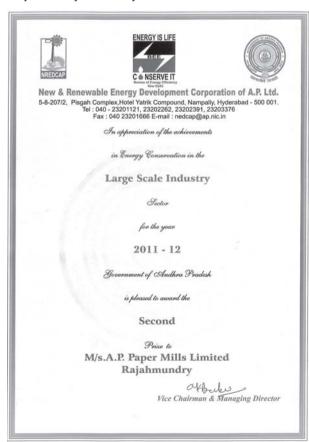
Specific projects for infrastructure development and to provide better facilities in wood procurement areas were undertaken.

Future Plan of Action

Major thrust shall be given for increasing the Casuarina clonal plantation with low cost clone development technique, intensifying specific projects for fibre security, introducing more site-specific clones by means of macro propagation, clonal trials for Subabul and spacing trials along with encouraging specific projects for CSR and environment improvement.

New Projects

During the financial year under review, the Company had commissioned various maintenance and upgradation projects for sustaining production levels with quality as well as regulatory projects for meeting regulatory norms and strategic projects as part of business strategy in Units: Rajahmundry and Kadiyam.



Awards/Certifications

The Company received second prize in appreciation of the achievements in Energy Conservation in Large Scale Industry Sector for the year 2011-12 from the Government of Andhra Pradesh.

The Company was also awarded the '2013 Award for Outstanding Rural Development' at the World CSR Congress in Mumbai. This award is in global recognition of Company's efforts in the areas of Social Development.



The 2013 award recognizes the integrated CSR efforts undertaken by the Company in rural areas, combining our farm forestry programs and social enrichment programs such as the Mamidilova Check Dam.

The award was titled 'Corporate Social Responsibility -Rural Development' for improving the livelihood of farmers in the Mamidilova village.

Your Company also received Forest Stewardship Council Certification (FSC), in respect of Unit:Kadiyam covering the production of paper using transfer and credit systems and sourcing of reclaimed material.

Sustainability

Your Company believes that sustainability makes good business sense and it extends from plantations to the employees, suppliers and the society at large. During the year, your Company made significant progress in the following key focus areas:

- Improving water consumption and waste water treatment performance;
- Reducing fiber losses in process and pulp mill operations;
- Continuing to focus on energy efficiency and renewable energy sources.

Your Directors are very happy to report that the Company had achieved a land mark of reaching 1 billion saplings under the social agro forestry program during the year under review.

Corporate Social Responsibility

As a responsible corporate citizen, the Company has been focusing on different Corporate Social Responsibility activities like education, empowerment, environment and employee engagement to help the communities in and around Rajahmundry.

The following CSR activities were undertaken during the vear under review:

- Launched distribution of solar lamps to the students of Zilla Parishad High Schools in the forest areas to enable them to study where there are power cuts benefitting around 1,500 students;
- Launched Green Wave campaign at Rajahmundry which motivated several children to pledge towards plantation of trees and understand its use towards improving the environment;
- Constructed a Check Dam in Mamidilova village with storage capacity of 0.00012 TMC which enables increase in irrigated area from 800 acres to 5,000 acres;
- d. Provided support to the farmers of Eastern Ghatts of Yetikoppaka village by purchasing the toys from them and participated in the exhibition;
- Supported along with employees the farmers during the recent Neelam Cyclone in the Coastal Andhra region and fire accident at Chaitanyapuram in Rajahmundry;
- f. Organized blood donation camps, health and motivation awareness event and awareness on HIV/ AIDS.

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in Report of the Board of Directors) Rules, 1988 are given in the Annexure-I attached and forms part of this Report.

Particulars of employees

The information required under Section 217 (2A) of the Companies Act, 1956 and the Rules made thereunder is provided in the Annexure-II forming part of the Report.

Public Deposits

3 deposits totaling ₹1.45 lakhs due for repayment on or before March 31, 2013 were not claimed by the depositors as on that date. A deposit for ₹0.75 lakhs was refunded during April, 2013. During the year under review, there was no unclaimed deposit amount which is required to be transferred to Investor Education and Protection Fund.

The provisions of Section 58A of the Companies Act, 1956 have been complied with.

Auditors

Messrs Deloitte Haskins & Sells, Chartered Accountants, Hyderabad, Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment.

Directors

During the year under review, Mr. Paul Brown, Executive Chairman resigned from the Board with effect from July 13, 2012. Mr. Shreeyash Bangur and Mr. P.K.Suri, Director (Operations) also resigned from the Board with effect from July 12, 2012 and July 13, 2012 respectively.

The Board placed on record its appreciation for the valuable advice and guidance received from Mr. Paul Brown, Mr. Shreeyash Bangur and Mr. P.K.Suri during their tenure as Directors of the Company.

The Board of Directors at the Meeting held on July 13, 2012 appointed Mr. W. Michael Amick Jr. as Director and also as Executive Chairman for a period of 5 years from the date of assuming charge i.e. August 23, 2012.

Mr. Michael Baymiller and Mr. Kenneth P. Huelskamp were appointed as additional directors with effect from July 13, 2012.

Mr. M.K. Sharma, Mr. Adhiraj Sarin and Mr. Milind Sarwate who were appointed as independent directors in the casual vacancies, will hold office up to the ensuing Annual General Meeting and being eligible, offered themselves for reappointment.

Mr. W. Michael Amick Jr., Mr. Michael Baymiller and Kenneth P. Huelskamp will hold office up to the ensuing Annual General Meeting. The Company has received requisite notices in writing under Section 257 of the Companies Act, 1956 from Members proposing their candidature.

HR Initiatives and Industrial Relations

During the period under review, the Company had taken the following HR initiatives:

- Introduced performance based pay by assessing the performance of the employees through contribution summary assessment forms;
- Encouraged the employees to participate in Global Employee Engagement Survey;
- Completed Compensation Mark-to-Market Survey for aligning the compensation structure with that of the market;
- Introduced medical insurance, personal accident insurance and group term life insurance as part of social security benefits;
- Introduced certain policies like gift policy, new forestry allowances policy and office infrastructure and workplace policy and is in the process of finalizing the other HR related policies;
- Conducted technical, safety and SAP training in coordination with the mills' HR;
- Nominated certain leaders and young and aspiring leaders for week long training at the Leadership Institute, US.

The overall industrial relations at both the Units: Rajahmundry and Kadiyam are harmonious and cordial. The employees and the unions have been cooperating in improving productivity.

All the employees have been motivated to improve safety and environment at workplace and facilitate the management to take pro-active steps/measures in this regard.

Cost Accounting Records

Costing accounting records for the financial year under review were maintained as per Cost Accounting Records Rules. M/s. Narasimha Murthy & Co., Cost Accountants, were appointed as Cost Auditors of the Company with the approval of Central Government to audit the cost accounts for the financial year ended March 31, 2013.

The Cost Audit Report in XBRL form due for filing on February 28, 2013 for the financial year ended December 31, 2011 was filed with the Ministry of Corporate Affairs on January 31, 2013.

The report for the year ended March 31, 2013 will be filed on or before September 27, 2013.

Directors' Responsibility Statement

Your Directors hereby confirm and declare that:

- in the preparation of annual accounts for the 15 month period ended March 31, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. 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 15 month period ended March 31, 2013 and of the loss of the Company for that period;
- iii. they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they had prepared the accounts for the 15 month period ended March 31, 2013 on a 'going concern' basis.

Acknowledgements

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

Your Directors wish to convey their thanks to the valued customers and dealers for their continued patronage during the year. Your Directors also place on record their appreciation of the contribution made by all the employees during the year.

For and on behalf of the Board

W. Michael Amick Jr. Executive Chairman

W. Matel And J.

Hyderabad April 23, 2013

Annexure-I

Information under Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report.

Conservation of energy: The Company has implemented the following measures for energy conservation during the fifteen month period ended March 31, 2013:

- a. Stoppage of 34MW TG set de-super heater pump and using de-super heating water from RB4/CF6 feed pump resulted in saving of power by 12 KW.
- b. Optimizatin of 34MW TG condenser cooling tower circulation water by reducing velocity of circulation water with replacing pump resulted in saving of power by 73.9 KW.
- c. Usage of 45 KW booster water pump motor in place of 75 KW pump motor to cater the need of required water flow for compressors to save 15 KW of Power.
- d. Usage of 70W & 250W metal halide lights in place of 250W & 400W MV lights resp. (as per required lux level) to save 10 KW of Power.

FORM 'A'
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Pa	rticulars	Unit	Current period	Previous period
A.	Power & Fuel Consumption		-	•
1.	Electricity			
	a. Purchased units	KWH/Lakhs	373.57	242.44
	Total amount	₹/Lakhs	1861.39	1017.58
	Rate/unit	₹	4.98	4.20
	b. Own Generation			
	i. Through diesel generator			
	Units	KWH/Lakhs	4.66	2.57
	Units/Ltr of diesel oil	KWH	3.15	3.31
	Cost/unit	₹	15.18	13.88
		`	10.10	10.00
	3			
	(Double extraction-			
	cum-condensing) Units	KWH/Lakhs	2874	2047
	Cost/unit	KWH/Lakiis ₹	1.71	2.50
		<	1.71	2.50
	iii. Through steam turbine			
	(Single extraction-			
	cum-condensing)	101111111111	404.40	070.46
	Units	KWH/Lakhs	491.43	272.43
	Cost/unit	₹	3.86	3.59
2.	Coal (steam/slack) ¹			
	Quantity	MT	325955	229514
	Total cost	₹/Lakhs	8769	6100
	Average rate	₹/MT	2,690.25	2,657.79
3.	Furnace oil			
	Quantity	KL	1340	406
	Total amount	₹/Lakhs	562	145
	Average rate	₹/KL	41,940.30	35,639.00
4.	Sawdust & others			
	Quantity	MT	18091	14587
	Total amount	₹/Lakhs	14.71	8.99
	Average rate	₹/MT	1241.61	271.01
В.	Consumption per MT of production			
	Electricity ¹	KWH	1386	1409
	Furnace oil	KL	0.005	0.003
	Coal ¹	MT	1.258	1.416
	Husk, saw dust & others	MT	0.070	0.090

¹ Excludes quantity of consumption meant for sale of power.

FORM 'B' FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

A. Technology Absorption

Unit:Rajahmundry

- a. Efforts made towards technology absorption, adoption and innovation: Nil
- b. Benefits derived as a result of the above efforts: Nil
- c. Imported technology (imported during the last 5 years reckoned from the beginning of the financial year)

1.	a.	Technology imported	 i. Adoption of state-of-the-art technology of duo- former, Nipco presses, speed size and Nipco calendar along with Paper Machine No.6
			 Adoption of state-of-the-art technology of Synchro duplex sheeter.
			iii. Adoption of state-of-the art technology of A-4 cutting line.
	b.	Year of import	2010-11
	c.	Has the technology been fully absorbed	Technology has been fully absorbed.
2.	a.	Technology imported	As a part of online monitoring system, incorporated stack Monitoring equipment, online total organic analyzer and TOC generator, which were imported from Shimadzu, Japan through M/s. Swan Environmental Private Limited, Hyderabad for online monitoring & recording.
	b.	Year of import	2011
	C.	Has the technology been fully absorbed	Technology has been fully absorbed.

Unit:Kadiyam

Imported technology (imported during the last 5 years reckoned from the beginning of the financial year)

1.	a.	Technology imported	As a part of augmentation of capacity of sludge handling, incorporated a high capacity 35 BD MTPD dry solids handling belt press (Sludge de-watering machine) at ETP, for which design and main components such as rollers, belts, cylinders, etc., were imported from Andritz - Singapore & China and assembled at Andritz Separation (India) Private Limited, Chennai.
	b.	Year of import	2009-10
	c.	Has the technology been fully absorbed	Technology has been fully absorbed.
2.	a.	Technology imported	i. As a part of existing DIP plant up-gradation, incorporated coarse screening, medium consistency screening, MAC Cell injectors, primary & fourth stage centri cleaners, fine screening and water clarifier components, which were imported from M/s. Kadant Lamort, France to improve quality of the de-inking pulp by increasing the cleanliness.
			ii. As a part of online monitoring system, incorporated stack monitoring equipment, online total organic analyzer and TOC generator, which were imported from Shimadzu, Japan through M/s. Swan Environmental Private Limited, Hyderabad for online monitoring & recording.
	b.	Year of import	2011
	c.	Has the technology been fully absorbed	Technology has been fully absorbed.

B. Research & Development

Unit:Rajahmundry (Plant)

1.	Specific areas in which R&D carried out by the Company	New product development
		Product quality improvement
		Process optimisation studies
		Identification of functional additives and plant trials for cost reduction/quality improvement
		Evaluation of alternate fibrous raw materials
2.	2. Benefits derived as a result of the	New products developed as per market demand
above R&D	above R&D	Modification of products for customer satisfaction
		Identification of additives for quality improvement and cost reduction
		Identification of alternate fibrous raw materials
3.	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

Unit:Rajahmundry (Forest)

1.	Specific areas in which R&D carried out by the Company	Development of new technique for clonal propagation
		Spacing trials
		Clonal seed orchard
		Log scaling
2.	2. Benefits derived as a result of the above R&D	Reduced cost of clonal propagation
		Better yield
		Improved seed
		Better estimation of standing crop yield
3.	Future plan of action	Natural hybridization
		Artificial hybridization
		Provenance trials
		Progeny trials
		Spacing trials

C. Expenditure on Research & Development (₹ Lakhs)

a. Capital : 2.59
b. Recurring : 469.20
c. Total : 471.79
d. Total R&D expenditure as a percentage of total turnover (%): 0.36

D. Foreign exchange earnings and outgo (₹ Lakhs)

a. Foreign exchange earnedb. Foreign exchange utilisedc. 11747.59d. 11266.69

Annexure-II

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the financial year (fifteen month period) ended March 31, 2013

Name of the employee	Mr. Rampraveen Swaminathan#	Mr. P.K. Suri*	Ms.Jayashree Satagopan#
Age (Years)	38	54	45
Designation	Managing Director & CEO	Director (Operations)	Senior Vice President & CFO
Remuneration (₹Lakhs)	212.87	31.10	73.12
Qualification	B.Com., PG Diploma in Management	B.Tech (Chemical Engineering)	B.Com., ACA, CWA & CS
Experience (Years)	14	35	21
Date of commencement of employment	March 2, 2012	May 12, 2008	September 27, 2012
Last employment held	Cummins, USA	Star Paper Mills Limited	Wipro GE Healthcare Private Limited

^{*} Ceased to be Director (Operations) w.e.f. July 13, 2012.

Notes

- 1. None of the above is related to any Directors of the Company.
- 2. The nature of appointment with Mr. Rampraveen Swaminathan is contractual.
- Remuneration includes salary, allowances, production bonus (wherever applicable), performance incentive, Company's contribution to provident fund and other funds, reimbursement of medical expenses and other sums actually paid during the financial year and monetary value of other perquisites.

For and on behalf of the Board

W. Michael Amick Jr. Executive Chairman

W. Mater Amod J.

Hyderabad April 23, 2013

[#] Employed for a part of the year.

Management Discussion & Analysis

GLOBAL SCENARIO

There is a paradigm shift in the global paper and paper board industry, with Asia continuing to grow faster than the rest of the world. This trend is expected to continue in 2013, with developing countries expected to grow by 6%. More significantly, China and India are expected to outpace and report higher than the regional average. Developed countries are expected to report a flat demand growth, as against a 2% decline that they saw in the past two years. India is likely to be one of the fastest rising markets at an estimated 6.5% growth.

Overall, paper demand is unevenly distributed as 72% of the world's paper is consumed by 22% of the world's population - in the US, Europe and Japan. The world demand for the material is expected to grow by around 3% annually, reaching an estimated 490 million tons by 2020, with significant growth coming out of Asia and Eastern Europe.

The demographic trends and market dynamics are influencing several salutary actions in the industry worldwide, with emphasis on the following areas:

- New, state-of-the-art facilities to replace older mills;
- Focus on newer technology, efficiency improvements, cost reduction and cleaner production processes;
- Adoption of sustainability concerns as part of the core operating principles;
- Development and implementation of best practices in forest management;
- Initiatives to conserve forests and reduce greenhouse gas (GHG) emissions;
- Greater reliance on renewable resources, especially to increase plantations;
- Improvement in balance between paper demand and capacity; and,
- Increase in investment in research and development.

Industry experts believe that the 360° enhancement across all aspects of the industry with special focus on newer technology, cost effectiveness and sustainability during a period of rising global demand will improve the customer interface while increasing the return on investment for manufacturers. Indeed, the industry is

better placed to attract resources such as the United Nations Program on reducing emissions from deforestation and forest degradation and other carbon mitigation initiatives.

The industry is acknowledged to be a responsible steward of forest resources, while such efforts have significantly added to the raw material security of the paper manufacturers. Worldwide, the industry has reduced its dependence on fossil fuels, conserved on energy consumption and cost, lowered water consumption, improved on air purity and is increasingly becoming non-CO₂ intensive.

INDIAN PAPER INDUSTRY

Indian paper industry accounts for about 3% of the world's paper and paperboard production even though the country has nearly 17% of the global population. The per capita consumption in the country is estimated at 9.18 kgs compared with 42 kgs in China, 350 kgs in developed countries and with global average at a healthy 58 kgs, implying a large scope for correction.

Over the years, aspiration levels of the growing middle class, improving standards of living, better educational opportunities and governmental support are some of the prime reasons for the rising trend in consumption. This trend is expected to continue. It is estimated that an increase in consumption by one kg per capita can potentially increase annual paper demand by a million tons.

Historically, the industry is more than 140 years old with the first mill having been commissioned in 1867. There are, at present, about 800 units engaged in the manufacture of paper and paperboards and newsprint in India. The country is almost self-sufficient in manufacture of most varieties of paper and paperboards. Import, however, is confined only to certain specialty papers.

Over the years, in line with the improvement in the well-being of people and rising literacy and aspiration levels, paper usage has increased. The estimated turnover of the industry is ₹35,000 crore approximately and the industry provides employment to more than 370,000 people directly and 1,300,000 indirectly.

Paper sector is dominated by small and medium size units; number of mills of capacity 50,000 MT per annum or more is not more than 25. Less than half a dozen mills

account for almost 90% production of newsprint in the country.

The industry was delicensed in July 1997 by the Government of India, which enabled foreign participation and investment in the domestic industry. 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.

Today almost every person uses paper in one form or the other. The industry has responded to the growth in demand and the installed capacity in India has risen from 0.137 million MT per annum in 1951 to the approximately 10.1 million MT. This includes capacity expansion of approximately 2.5 million MT in the recent past.

A brief analysis of the industry structure reveals that W&P paper capacity is 3.5 million MT, of which 85% constitutes uncoated paper and the balance being coated varieties. The uncoated varieties comprise of cream wove (46%), maplitho (23%) and copier papers (16%).

Out of the 10.1 million MT capacity referred above, paperboard (packaging paper) accounts for 5 million MT. In the industrial paper & paperboard category, 58% of the products such as kraft paper are used in tertiary packaging and the remaining 42% constitute consumer packaging.

Of the total industry cake, newsprint accounts for 1.9 million MT capacity and specialty paper holds the balance 0.6 million MT.

In effect, industrial paper constitutes 45.5% and W&P makes up another 32%. Newsprint accounts for 17% and the balance capacity is in the specialty paper category. Overall, the industry is working to 84% capacity utilization.

The industry is further categorized on the basis of raw-material used for manufacturing paper into forest-based (with a share of 21%), agro-based (23%) and recycled fiber-based paper (56%).

The mills use a variety of raw material viz. wood, bamboo, recycled fibre, bagasse, wheat straw, rice husk, etc.; approximately 35% are based on chemical pulp, 44% on recycled fibre and 21% on agro-residues.

There is a growing need to modernize the Indian mills, improve productivity and build new capacities. Indian paper industry is capital, energy and water intensive, highly fragmented and has sub-optimal economies of scale due to use of obsolete technology.

There is, however, a perceptible transformation in the industry. Medium and larger domestic producers have been focusing on reducing cost of product and improving quality of finished product. Some of the initiatives taken by them include increasing the size of machines with high-speed features, upgrading to new machine technology and increasing farm plantation activities.

The Indian paper industry is the world's fastest growing paper market. The paper industry performance is highly correlated with the macro economic trends and is often demonstrated by an analogous directional move. Over the years, the beta between the growth trends of GDP and paper industry is nearly one. During the same 5 year period referred above, paper industry demand has grown at an average 0.9x multiple of GDP.

THREATS & OPPORTUNITIES

For Indian industry, strong economic growth has been accompanied by equally robust demand for paper. Demand for paper and paperboard closely follows the economic growth of the country and has a positive correlation to the prevailing economic trends.

So far, the growth in the Indian paper industry has mirrored the growth in GDP. 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 corporate spending.

Even as there are several levers which provide traction for growth, the paper industry faces a strong rise in input costs. 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.

Energy is a major cost component of production and has increasingly become a challenge for the manufacturers. The Government of India has withdrawn the core sector status hitherto enjoyed by the paper industry. Cost of coal is escalating and prospect of availability of quality coal is

diminishing. This has escalated production costs of mills which are dependent on coal for generation of steam/ power.

Availability of power and its costs have sharply increased, adversely impacting margins. Several producers in the industry find it difficult to produce paper and paperboard even four days in a week, while APPM has strived hard to overcome the challenges. In fact, power & fuel as a percentage of manufacturing cost at APPM was lower in the period under review than that incurred in 2011.

The increasing demand for paper brings with it new challenges of economies of scale, efficient usage of resources, need to develop and expand sustainable use of fiber, and value chain management, etc. Despite the fact that the Indian paper industry has potential and capabilities to serve the growing demand in domestic and international market and create huge employment avenues in the country provided it retains the competitive edge, there are deterrents that need to be addressed.

The wood resources and availability are limited across the country. Hence, the 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. Wood-based segment of the paper industry meets its current wood requirements primarily through social/farm forestry and supplements with purchases made from the state forest agencies.

APPM strives to ensure raw material security. Concerted efforts has helped the Company to meet 100% requirement of pulpwood from own catchment area despite unprecedented stiff competition witnessed in the catchment from other industries. The Company has taken upon itself to increase the Casuarina clonal plantation with low-cost Casuarina clone development technique, increase specific projects for fibre security, introduce more site-specific clones by means of macro propagation, clonal trials for Subabul and spacing trials.

APPM - A PERSPECTIVE

Andhra Pradesh Paper Mills, which is now an International Paper company, is one of the biggest integrated paper and pulp manufacturing centers in India. The company produces indispensible writing, printing and copier papers for domestic and foreign markets. It employs around 2,500 employees and is headquartered in Hyderabad.

APPM's production facilities are comprised of two mills in Rajahmundry and Kadiyam with a total production capacity of 241,000 TPA. The company is becoming a driving force in sustainability in the paper manufacturing arena through focused social and community programs, including pioneering work in raw material generation through social farm forestry.

With gross sales of approximately ₹1,299 crore for the 15-month period ended March 31, 2013 (US\$ 236 million @ ₹55 per US\$), focused social and community programs backed up with its own pioneering work in raw material generation through social farm forestry and a very strong strategic growth focus, APPM is becoming a driving force in the green paper manufacturing arena in the world economy.

APPM has been one of the first to recognize the potential in actively promoting agro forestry with private land holders/farmers to meet its raw material needs in a sustainable manner. This has helped the Company to access pulp of the highest quality, modernize the processes by incorporating the latest production technology, enhance production capacity, conserve fossil fuel, recover and recycle chemicals and water, improve productivity and quality of products, upgrade environmental technologies and be cost-competitive in manufacturing economics. APPM has hugely improved its competitive strength and presently has the ability to overcome the pressure points that confront the industry.

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.

SCS Global Services does hereby certify that an independent assessment has been conducted on behalf of:

The Andhra Pradesh Paper Mills Limited, Unit: CP

This certificate covers the production of paper using the transfer and credit systems. The certificate also covers the sourcing of reclaimed material.

The facility(s) are hereby Chain of Custody certified to sell products a

FSC 100%, FSC Mix, FSC Recycled

Forest Stewardship Council® A.C. (FSC).

PSC Standard: PSC-STD-40-004 V2-1, PSC-STD-40-007 V2-0

Certificate Code: SCS-COC-004293 Trademark License Code: FSC-C112308 Valid from 9 August, 2012 to 8 August, 2017

The artificial and the contraction acceptance provided profit is granted by the profit of the profit of the provided based. Instruct of the property profit of the profit





The Company owns & operates two units, one at Rajahmundry and another at Kadiyam.

Unit:Rajahmundry is an integrated wood based paper mill with a rated capacity to produce 174,000 MT of finished paper and 182,500 MT of bleached pulp annually. The unit manufactures uncoated writing and printing paper - mainly copiers, 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 copiers, kraft liner using recycled fiber and purchased pulp as base raw materials.

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 sells saplings from its nurseries and counsels farmers on the best methods to grow them thereby conserving natural resources and creating a healthier environment.

The farm forestry program is based on developing massive plantations on marginal and degraded farm lands. As of today, the Company ensures that it gets majority of its requirement of pulpwood from its farm forestry efforts. While doing so, APPM supports farmer welfare programs and champions the cause of an ecofriendly environment.

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.

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, APPM has invested heavily in environment-friendly technologies that facilitate increasing the overall quality of products and demonstrating productivity gains.

Over the past five years, APPM invested in certain key equipments and processes 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; and,
- A diffused aeration system with cooling tower to improve the efficiency of the effluent treatment plant.

These plants and processes 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 copier and graphic papers, 90+ brightness paper was launched.

For all grades, marketing and distribution is done primarily through a network of 75 dealers. Some large consumers are also being catered to directly and the Company participates in government tenders. Exports are undertaken through a network of indenting agents across 20 countries.

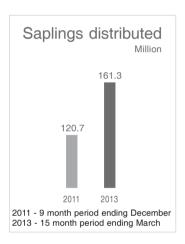
Going forward, APPM will improve operational efficiencies with focus on increasing productivity and profitability and has adopted 5 strategic principles viz.

- Become the low cost producer;
- 2. Customer support excellence;

- World class operations & focus on safety, environment and productivity;
- 4. Expand in printing and writing segments; and
- 5. Create a performance culture.

RAW MATERIAL

APPM could source all its requirement of pulpwood within a radius of 250 kms (primarily within Andhra Pradesh) and majority of the procurement was obtained from the Company's own farm forestry initiative. 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 the review period, about 161.30 million quality saplings (including 6.5 million clonal saplings) were distributed to develop an area of 26,134 hectares under plantation as against 120.70 million saplings covering an extent of 16,823 hectares in the previous planting year 2011. The farm forestry program of APPM has raised plantations in 158,891 hectares since 1989 when the initiative was started with a goal of achieving raw material self sufficiency and sustained availability. Distribution of 1,079 million quality saplings has benefited 48,718 families till date creating an employment resource pool of 79 million man days especially in the rural areas.

Research and development initiatives with low cost planting techniques, quality seed material and high yielding, short rotation planting stocks have enhanced raw material availability. Clonal development has resulted in introduction of high yielding, disease resistant clones and versatile to a wide variety of agro-climatic conditions in inland and coastal areas. Low-cost planting techniques, quality seed material and high-yielding varieties, and short

rotation planting stock have enhanced raw material availability.

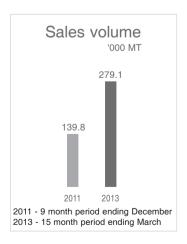
APPM's ambitious farm forestry schemes emphasize conservation of natural resources and healthier environment, massive plantations on marginal and degraded farm lands and supports farmer friendly practices.

During the review period, the Company used primarily (93%) two species of pulpwood (Casuarina and Subabul). The competitive pressure in the market for pulpwood coupled with higher transportation costs saw an increase in landed cost at the depots. Average rate of raw material (Bone Dry) was 32% higher between the two reporting periods.

Raw material cost was hence higher by 37.69% over the previous financial year at Unit:Rajahmundry. In order to partially offset the increased raw material cost, selling prices were revised in Decembe 2012 followed by monthly increases till March 2013.

PERFORMANCE REVIEW

Finished paper production for the 15-month period ending March 2013 was 258,202 MT as compared to 160,667 MT in the 9-month financial year ending December 2011. Unbleached pulp production was 217,632 MT during the reporting period as compared to 139,876 MT in the previous financial year.

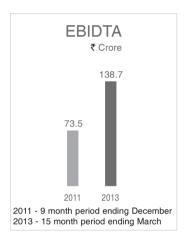


Paper sales were 279,093 MT comprising 241,334 MT in the domestic market and 37,819 MT as export sales. In 2011, in comparison, domestic paper sales were 124,503 MT while export sales were 15,283 MT. Gross domestic net sales realization was 3.7% higher over the previous year at ₹46,567 per MT with export realization

higher by 5.8% at ₹44,446. The Company managed to get a better net sales realization per MT over the previous year partly due to better market conditions and revisions in the price list across all grades.

During the fifteen months ending March 2013, the net revenue from operations totaled ₹1,230.50 crore, while Other Income was ₹23.11 crore. Total revenue for the period was therefore ₹1,253.61 crore.

Earnings before interest, depreciation and taxation (EBIDTA) were at ₹138.77 crore (before adjusting for one-time charges) constituting 11.28% of the net revenue from operations. In the previous financial year 2011, the corresponding amount was ₹112.58 crore accounting for 18.73% of the revenue.



Lower EBIDTA is also a function of the sensitivity attached to the demand cycles. Market demand, volume sold and prevailing prices are normalized in a 12-month cycle and hence are not comparable with a 15-month review period ending March 2013.

Interest and Finance Charges for the 15 month period were ₹55.36 crore as against ₹36.10 crore for the 9 month period. There was an annualized saving of 8% p.a. over the previous reporting period. The savings were driven by restructuring of debt portfolio.

The foreign exchange fluctuation during the period under review was in the range of ₹48.60 to ₹57.12 per US Dollar representing 17.50% movement. The loss on account of adverse movement in foreign exchange rates was ₹2.00 crore during the reporting period as compared to ₹7.90 crore in the previous reporting period.

Profitability was also affected due to higher input cost (substantially on account of the inflationary conditions in the economy). In addition, there was a provision of ₹16.19 crore based on internal assessment and legal opinion obtained for certain disputed matters relating to prior years' arrears.

As a result, the Company has reported a pre-tax loss of ₹20.73 crore as against pre-tax loss of ₹13.16 crore reported in the earlier year. The loss after tax adjustment is ₹23.70 crore, which in comparison was ₹97.81 crore in the financial year ending December 2011.

Note: The current period figures relate to 15 months ending March 2013 as against the 9 month period ended December 2011 in the previous report and hence are not comparable. Paper demand has seasonal impact which may not permit extrapolation between two unequal periods.

INTERNAL CONTROLS

The Company has established and maintained adequate internal controls over the financial reporting. Internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted (GAAP) in India. The Company has an internal control system commensurate with the size and nature of the business. The Audit Committee of the Company provides reassurance to the Board on the existence of an effective internal control environment.

The internal control includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to allow for the preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of the management;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposal of assets that could have a material effect on financial statements; and
- provide reasonable assurance as to the detection of fraud.

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 laid out systems, self-monitoring mechanisms, and is audited by an external firm as part of the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified.

The control environment component is the foundation for all other components. APPM aspires to reflect internationally accepted standards and/or best practice and is in the process of upgrading its systems and procedures to further enhance all its operating systems and controls.

IT SUPPORTS BUSINESS

Enterprise wide IT and ERP infrastructure is monitored and supported by a dedicated in-house IT team in areas such as SAP support, Data centre management, Help Desk management, Hardware capacity planning, Networking, Software development and Systems administration. A centralized data center has been installed at Unit:Rajahmundry having clusters of IBM Pseries servers with AIX operating system to comply with the SAP landscape. MySAP ECC 5.0 and ORACLE database provides 24x7 service to all users within the Company.

Connectivity across different locations in APPM is provided through contemporary communication links like MPLS backbone, Wi-Fi/SSL VPN/Internet services/video conferencing through trusted service providers.

Similarly, employees across plants, regional offices and corporate office are well connected through unified telephony system (Siemens) and CUG network to facilitate mobile connectivity across locations. Firewalls and other security solutions like Unified Threat Management (UTM) and end-point security measures have been taken to enforce strict security practices in all nodes to mitigate risks and protect IT assets from all threats & vulnerabilities.

In order to support manufacturing excellence initiative, APPM has further strengthened the ERP value chain by deploying plant maintenance suite at both the plants.

Another focus area is infrastructure integration and alignment, and following standard practices aligned to International Paper's global policies.

APPM has implemented web enabled 'Dealer Portal' which is integrated with MySAP ERP. This enables dealers to process orders, track dispatches online etc., resulting in reduced cycle time. To improve collaboration among group members of APPM and IP, the intranet site has been improved and access rights have been granted to all key members to leverage the benefits in toto.

Highlights of the implemented ERP System are briefly listed below:

- Streamlined business processes with built-in controls
- Informed and accelerated decision making
- On-line interaction across the value chain
- Automated work-flow in all functional areas
- Reduced manufacturing cycle time of orders and improved logistics operations
- Standard platform for all users to share and view data
- Improved working capital and cash flow management
- Empowered and nurtured manpower having crossfunctional exposure

HUMAN RESOURCES

The Company stands revitalized today and the employees remain encouraged with the market opportunities and ready for business challenges. The decentralized professional management structure is fully empowered. 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 Company is committed to offering a wide range of opportunities to the associates through internal job postings, job rotations across divisions as well as locations. APPM invests in training and knowledge at all levels in order to align employees with market needs, technology upgradations, process improvements, innovation and behavioral competencies. 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.

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.

APPM strives to achieve a zero accident 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. Training in safety practices, enhancing operations and providing practical proposals have gone a long way towards improving occupational safety.

APPM OUTLOOK

During the 15-month period ended March 31, 2013, the

Company suffered a loss of ₹23.7 crore on account of abnormal increase in the cost of fiber, certain exceptional items and increase in legal and professional charges.

Keeping the overall scenario of the industry, the Company is performing reasonably well and has been improving its operational efficiencies across the segment to gain the competitive edge. The Company is strengthening its focus on operational efficiency supply chain management, quality control, captive production, strategic market alliances and expansions.

Barring unforeseen circumstances, the overall outlook for the current financial year 2013-14 seems to be positive and the management is optimistic of achieving improvements in the Company's performance. While it is extremely difficult in the present scenario to predict profits in measurable terms, the Company's initiatives are expected to improve productivity and profitability.

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. 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.

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. Some of the industry specific risks need a review:

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.

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 6% in 2013-14. The Planning Commission of the Government of India has projected 8.2% annual average economic growth rate during 2012-17, in the approach document to the 12th Plan.

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 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. APPM derives its revenue from sale of paper & pulp and has de-risked its business by being an integrated manufacturer. This ensures that the production costs are low. More significant, APPM has continuously rationalized its costs, added to its scale of operations and stepped up its volume of value-enhancing products. Efforts are being made to lower the fixed costs per ton of product to protect margins.

Company growth momentum

A failure/inability to manage year-on-year growth could disrupt the business and reduce profitability.

Over the past few years, APPM has expanded its capacities and has grown in terms of sales. Consistent long term growth has been planned and the Company would continuously evolve and improve operational, financial and internal effectiveness across the organization.

APPM has organized its strategy and systems and has invested in assets that will fast track the Company's growth with improved financials. Growth appears compelling for both the industry and all well-managed companies such as APPM. The Company strives for sustainable growth, higher than the industry average.

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 MT. Demand increase can benefit all industry participants, although there is no assurance that the gains will be shared by all the players equally.

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. 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 copiers 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.

Dependence on a few buyers

Dependence on a few large institutional buyers and dealers could adversely affect the Company's operations, in case these buyers reduce their requirement or discontinue purchase of paper from APPM.

APPM sells its products through the retail trade and

through industrial consumers. Save for market dynamics of prices, the demand from these sources is consistent and the Company maintains a healthy relationship with its large customers. The recognized quality of APPM's products and recent product development initiatives will ensure customer loyalty.

Pricing power

This is a highly competitive industry and prices are a function of supply and demand. Domestic pricing is also influenced by global trends in both availability and price of pulp, paper and waste paper.

Prices in the international market have firmed up and domestic prices have followed the same trend. Since APPM is an integrated manufacturer with proximity to raw materials, there are often advantages to the Company whichever way the price moves. Pulp production buffers paper production cost in a falling market and improves margins in a rising market.

The Company has a marked presence in its addressable markets and differentiates itself from competitors by the value proposition offered to customers. APPM has a brand value and the Company has the flexibility to price the products appropriately. Emphasis on quality has reduced the possibilities of commoditization. The Company recognized much earlier than its peers that the best mitigation would be ensured by high-end quality and lowered production costs.

Product substitution

Paper enjoys a unique position 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 9.18 kgs. This is low compared to global standards 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. 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, 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.

Raw Materials

The paper industry requires a sustainable supply of wood to survive and flourish. Wood accounts for approximately 30% of the cost of production. Any threat in supplies would adversely affect the survival of the paper industry.

At 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 are required. They are also counseled on nurturing the trees so that availability is guaranteed.

Subabul and casuarina are the two varieties majorly used by APPM as raw materials for paper production. Both are natural resources, and therefore not taken for granted. The quality of products and customers' acceptance depends on the quality of raw materials and APPM's ability to deliver in a timely manner and it is imperative that availability is ensured, in the required quantities, of the specified quality/standard/specification for uninterrupted production processes.

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

For over two decades now, 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 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.

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. Energy costs account for about 15% of the net sales of paper companies.

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. APPM has considerably reduced its need for fossil fuels and made adequate plans to protect its needs.

There is adequate availability of coal for 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 use of precious natural resource. As far as possible, the Company recycles water and, more important, minimizes wastages. Over the years, 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.

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.

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, 2013 was under control at 16 days. The current ratio was 0.86:1 and the debt:equity ratio was 0.98 as at the balance sheet date on March 31, 2013.



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.

Although interest rates have hardened, 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, 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.

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. APPM also installed high efficiency ESPs to contain suspended particulate matter to less than 50 ppm.

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

Forward looking statements

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

Report on Corporate Governance

1. Company's philosophy on Corporate 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

Composition of Board

- As on March 31, 2013, the Company has 12 Directors with an Executive Chairman. Of the 12 Directors, 6 are Non-Executive Independent Directors, 4 are Non-Executive Non-Independent Directors and 2 are Executive Directors. The Composition of the Board is in conformity with the requirements of Clause 49 of the Listing Agreements.
- None of the Directors on the Board is a member of more than 10 committees or chairman of more than 5 committees across all the companies in which he/she is a director.

Meetings of the Board

- During the fifteen month period from January 1, 2012 to March 31, 2013 (hereinafter referred to as 'Financial Year'), six meetings of Board of Directors were held on January 25, 2012; March 22, 2012; April 24, 2012; July 13, 2012; October 23, 2012 and January 22, 2013.
- The maximum gap between two meetings was less than 4 months as stipulated under the Clause 49 of the Listing Agreement.
- Board Meetings/AGM Attendance and Directorships/Committee Memberships:

Attendance of each Director at the meetings of Board of Directors held during the financial year, last Annual General Meeting (AGM) and the number of other Boards and Board Committees in which he/she is a member or chairperson:

		Attendance Particulars			Committee Membership(s)@	
Name	Category of Directorship	No. of Board Meetings	Last A.G.M.	No. of other directorships ¹	Member	Chairman
EXECUTIVE DIRECTORS						
Mr. Paul Brown ²	Executive Chairman	3	Yes	_	_	_
Mr. P. K. Suri ²	Director (Operations)	3	Yes	_	_	_
Mr. Rampraveen Swaminathan ³	Managing Director & CEO	6	Yes	_	_	_
Mr. W. Michael Amick Jr.4	Executive Chairman	2	NA	_	_	_
NON-EXECUTIVE DIRECTORS						
Mr. Thomas G. Kadien		6	Yes	_	_	_
Mr. Brett Allen Mosley		5	No	_	_	_
Mr. Kenneth P. Huelskamp ⁵		2	NA	_	_	_
Mr. Michael Baymiller ⁵		2	NA	_	_	_
Mr. Shreeyash Bangur ⁶		3	Yes	1	_	_
Mr. M.S. Ramachandran	Independent Director	6	Yes	4	2	_
Ms. Ranjana Kumar	Independent Director	4	No	4	1	_
Mr. M.K. Sharma	Independent Director	4	Yes	8	4	
Mr. Milind Sarwate	Independent Director	6	Yes	5	1	1
Mr. Adhiraj Sarin	Independent Director	5	No	_	_	_
Mr. Praveen P. Kadle ⁷	Independent Director	4	Yes	11	5	1

- Excluding foreign companies, private limited companies, companies having license under Section 25 of the Companies Act, 1956 and alternate directorships.
- ² Resigned from the Board of Directors with effect from July 13, 2012.
- a Appointed as an Additional Director with effect from January 25, 2012 and designated as Managing Director & CEO with effect from March 2, 2012.
- 4 Appointed as an Additional Director with effect from July 13, 2012 and designated as Executive Chairman with effect from August 23, 2012.
- ⁵ Appointed as an Additional Director with effect from July 13, 2012.
- ⁶ Resigned from the Board of Directors with effect from July 12, 2012.
- ⁷ Appointed as an Additional Director with effect from January 25, 2012.
- Memberships/chairmanships of only the Audit Committee and Shareholders/Investors Grievance Committee have been considered.

3. Audit Committee

Terms of reference

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

- Oversight of the Company's financial reporting process and disclosure of its financial information to ensure accuracy and correctness.
- b. 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 being included in the Directors' Responsibility Statement to be included in the Board's report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956;
 - Validity of the assumption as regards the Company being a going concern;
 - Disclosure under 'Management Discussion and Analysis of Financial Condition and Results of Operations';
 - Any changes in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on 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 transaction;
 - Disclosure of contingent liabilities;
 - Qualifications, if any, in draft audit report;
 - Reconciliation between Indian GAAP accounts and US GAAP accounts, to be carried out annually; and
 - The effect of regulatory and accounting initiatives as well as off-balance-sheet structures, on the financial statements.

Composition and Meetings

i. As at January 1, 2012, the Audit Committee comprised of Mr. Milind Sarwate, Mr. M. K. Sharma, and Mr. Thomas G. Kadien. All of them were Non-Executive Directors.

The following changes took place in the composition of the Audit Committee during the financial year:

Mr. Praveen P. Kadle, and Mr. Paul Brown were appointed as Members of the Audit Committee with effect from January 25, 2012 and April 24, 2012 respectively.

Mr. Paul Brown ceased to be a member of the Audit Committee consequent to his resignation from the Board with effect from July 13, 2012 and Mr. W. Michael Amick Jr. was appointed as a member of the Audit Committee with effect from July 13, 2012.

The constitution of Audit Committee as on March 31, 2013 is as follows:

Name	Designation
Mr. Milind Sarwate	Chairman
Mr. M.K. Sharma	Member
Mr. Thomas G. Kadien	Member
Mr. Praveen P. Kadle	Member
Mr. W. Michael Amick Jr.	Member

All the above members are Non-Executive Directors except Mr. W. Michael Amick Jr. The Independent Directors Mr. Millind Sarwate, Mr. M.K. Sharma and Mr. Praveen P. Kadle possess expert knowledge in the area of finance and accounting.

ii. During the financial year, the Audit Committee met on January 25, 2012; April 13, 2012; April 24, 2012; July 13, 2012; October 23, 2012 and January 22, 2013.

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

Name	Number of Meetings held	Number of Meetings attended
Mr. Milind Sarwate	6	6
Mr. M.K. Sharma	6	5
Mr. Thomas G. Kadien	6	6
Mr. Praveen P. Kadle ¹	6	4
Mr. Paul Brown ²	6	-
Mr. W. Michael Amick Jr.3	6	2

¹ Appointed as a member with effect from January 25, 2012.

4. Remuneration Committee

The composition of Remuneration Committee as on March 31, 2013 is as follows:

Name	Designation
Mr. M.S. Ramachandran	Chairman
Mr. M.K. Sharma	Member
Mr. Adhiraj Sarin	Member

The Committee determines the remuneration package of Executive Directors. During the financial year, Remuneration Committee met on January 25, 2012, February 29, 2012 and November 28, 2012.

i. Remuneration to Executive Directors

a. The details of remuneration paid to Mr. P. K. Suri, former Director (Operations) and Mr. Rampraveen Swaminathan, Managing Director & CEO during the financial year ended March 31, 2013 are given below:

₹ Lakhs

Name	Salary & allowances	Perquisites	Contribution to provident fund, superannuation fund and gratuity	Total	
Mr. P.K. Suri*	18.01	4.26	8.83	31.10	
Mr. Rampraveen Swaminathan	199.97	0.45	12.45	212.87	

^{*} The amount was paid up to July 13, 2012, i.e. the date of his resignation.

b. The contracts with Executive Directors are terminable by giving six months notice on either side.

² Appointed as a member with effect from April 24, 2012 and ceased to be a member with effect from July 13, 2012.

³ Appointed as a member with effect from July 13, 2012.

ii. Payments to Non-Executive Directors and criteria for making payments

a. The details of sitting fees paid to the Non-Executive Directors during the financial year ended March 31, 2013 were as follows:

Name	₹ Lakhs
Mr. Shreeyash Bangur ¹	0.60
Mr. M.S. Ramachandran	1.80
Ms. Ranjana Kumar	1.40
Mr. M.K. Sharma	2.40
Mr. Milind Sarwate	2.40
Mr. Adhiraj Sarin	1.60
Mr. Praveen P. Kadle ²	1.60
TOTAL®	11.80\$

¹ Resigned from the Board of Directors with effect from July 12, 2012.

b. Details of the shares of the Company held by the Directors as on March 31, 2013 are given below:

Name	Number of equity shares of ₹10 each	
Mr. M.K. Sharma	10,000	
Mr. Adhiraj Sarin	2,000*	

^{*} held by his relative

5. Investors' Grievance Committee

As at January 1, 2012, the Investors' Grievance Committee comprised of Ms. Ranjana Kumar (Chairperson), Mr. Paul Brown (Member) and Mr. P.K. Suri (Member).

The following changes took place in the composition of the committee during the financial year:

The Board at their meeting held on April 24, 2012, reconstituted Investors' Grievance Committee and appointed Mr. Rampraveen Swaminathan as a member.

Mr. Paul Brown and Mr. P. K. Suri ceased to be members of the Committee consequent to their resignations from the Board with effect from July 13, 2012.

The Board at their meeting held on July 13, 2012, reconstituted Investors' Grievance Committee and appointed Mr. W. Michael Amick Jr. as a member.

The following is the constitution of Investors' Grievance Committee as on March 31, 2013:

Name	Designation
Ms. Ranjana Kumar	Chairperson
Mr. Rampraveen Swaminathan	Member
Mr. W. Michael Amick Jr.	Member

² Appointed as an Additional Director with effect from January 25, 2012.

^{\$} The amount is exclusive of Service Tax.

This amount excludes ₹10,000 paid to Mr. P.J.V. Sarma for the Committee Meeting attended by him during the previous year ended December 31, 2011.

The Committee has been constituted to look into the redressal of shareholders and investors' complaints like non-receipt of share certificates sent for transfer, non-receipt of balance sheet, non-receipt of declared dividends etc. The Committee also approves issue of duplicate share certificates and oversees the matters connected with the transfer of securities.

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

During the financial year, the Committee met on May 2, 2012; August 24, 2012 and March 22, 2013.

The following are the details of meetings held and the attendance thereof:

Name	Number of Meetings held	Number of Meetings attended
Ms. Ranjana Kumar	3	3
Mr. Paul Brown ¹	3	1
Mr. Rampraveen Swaminathan	3	3
Mr. P. K. Suri ¹	3	-
Mr. W. Michael Amick Jr. ²	3	2

¹ Resigned from the Board with effect from July 13, 2012.

The details of the status of complaints received from the shareholders during the financial year ended March 31, 2013, are furnished below:

Pending as on January 1, 2012	Nil
Received during the financial year	30
Redressed during the financial year	30
Pending as on March 31, 2013	Nil

6. Risk management

The risks faced by the paper industry and the Company along with risk mitigation measures are elaborately discussed in Management Discussion and Analysis Report forming part of this Annual Report.

7. General Body Meetings

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

Year	Date and time	Venue
2009-10	July 15, 2010 at 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104
2010-11	September 10, 2011 at 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104
2011	March 22, 2012 at 3.00 p.m.	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103

² Appointed as a member with effect from July 13, 2012.

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II	Special Resolutions	nassed in the	nreviolis three	Annual	General Meetings.
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Date	Description of Special Resolutions passed
July 15, 2010	a. Payment of Commission to Directors of the Company other than Managing/ Wholetime Director(s) under the provisions of Section 309 (4) of the Companies Act, 1956.
	b. Re-appointment of Ms. Sheetal Bangur, Director (Commercial) for a further period of five years from April 1, 2010.
	c. Appointment of Mr. L.N. Bangur as Executive Chairman of the Company for a period of 5 years from May 27, 2010.
	d. Revision of remuneration payable to Mr. M.K. Tara, Managing Director of the Company.
	e. Revision of remuneration payable to Ms. Sheetal Bangur, Director (Commercial) of the Company.
	f. Revision of remuneration payable to Mr. Shreeyash Bangur, Director (Corporate) of the Company.
	g. Revision of remuneration payable to Mr. P.K. Suri, Director (Operations) of the Company.
September 10, 2011	Nil
March 22, 2012	a. Re-designation of Mr. Paul Brown as Executive Chairman.
	b. Waiver of recovery of excess remuneration paid to Executive Directors.

- iii. No special resolution was passed through postal ballot during the financial year ended March 31, 2013.
- iv. At present no special resolution is proposed to be passed through postal ballot. The procedure laid down in Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 would be followed as and when necessary.

8. Disclosure on materially significant related party transactions

During the financial year, there were no transactions of material nature with related parties having potential conflict with the interests of the Company.

9. 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.

10. Code of Conduct for Directors and senior executives

The Company adopted a Code of Business Conduct and Ethics for its Directors and senior executives. The Code has also been posted on the Company's website. The Managing Director & CEO has given a declaration that all the Directors and concerned executives have affirmed compliance with the Code of Conduct.

11. CEO/CFO Certification

A certificate duly signed by the Managing Director & CEO and the Sr. Vice President & CFO relating to financial statements and internal controls and internal control systems for financial reporting as per the format provided in Clause 49 of the Listing Agreement was placed before the Board and was taken on record.

12. Adoption of non-mandatory requirements

The Company adopted the following non-mandatory requirement stipulated under Clause 49.

Remuneration Committee: The Company has constituted a Remuneration Committee to determine the remuneration package of Executive Directors based on their performance.

13. 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. Results are displayed on the Company's website: www.andhrapaper.com

Official news releases, detailed presentations are proposed to be made to media, analysts, institutional investors etc.

The Management Discussion & Analysis forms part of the Annual Report.

14. General Shareholder Information

	Date & time	Venue
49th Annual General Meeting	August 6, 2013 at 11.30 a.m.	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Rajahmundry - 533 103

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

Financial year: April 1, 2013 to March 31, 2014

Particulars	Period ended	On or before
Unaudited financial results for the quarter ending	June 30, 2013	August 14, 2013
Unaudited financial results for the quarter ending	September 30, 2013	November 14, 2013
Unaudited financial results for the quarter ending	December 31, 2013	February 14, 2014
Audited financial results for the year ending	March 31, 2014	May 30, 2014
Annual General Meeting for the year ending	March 31, 2014	September 30, 2014
Details of Book Closure	July 23, 2013 to August 6, 2013 (both days inclusive)	

16. 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
mamba. 100 001	Bandra (East), Mumbai - 400 051

The Company paid the annual listing fees for the financial year 2013-14 in April 2013 to BSE and NSE.

17. Stock code

BSE	502330
NSE	Symbol: APPAPER Series: EQ
ISIN (for Dematerialisation)	INE435A01028

18. The details of monthly high and low prices of the equity shares of the Company traded on the stock exchanges are given below:

a. BSE

	Month	Share	price ₹	BSE Sensex	
	Month	High	Low	High	Low
2012	January	162.80	120.00	17258.97	15358.02
	February	161.90	144.50	18523.78	17061.55
	March	198.00	151.00	18040.69	16920.61
	April	314.40	180.25	17664.10	17010.16
	May	269.45	222.50	17432.33	15809.71
	June	311.00	220.05	17448.48	15748.98
	July	350.80	271.00	17631.19	16598.48
	August	361.60	288.40	17972.54	17026.97
	September	373.30	316.00	18869.94	17250.80
	October	355.40	293.00	19137.29	18393.42
	November	311.75	275.05	19372.70	18255.69
	December	313.20	274.40	19612.18	19149.03
2013	January	304.50	230.00	20203.66	19508.93
	February	231.60	184.90	19966.69	18793.97
	March	207.00	179.00	19754.66	18568.43

b. NSE

	Month	Share p	orice ₹	S & P CNX	NIFTY
	WOITH	High	Low	High	Low
2012	January	162.90	119.20	5217.00	4588.05
	February	160.50	143.25	5629.95	5159.00
	March	199.00	150.60	5499.40	5135.95
	April	313.30	180.00	5378.75	5154.30
	May	269.60	215.15	5279.60	4788.95
	June	311.00	220.00	5286.25	4770.35
	July	351.80	271.15	5348.55	5032.40
	August	361.40	287.60	5448.60	5164.65
	September	372.90	315.90	5735.15	5215.70
	October	354.85	293.40	5815.35	4888.20
	November	312.00	275.95	5885.25	5548.35
	December	313.00	275.20	5965.15	5823.15
2013	January	304.30	229.90	6111.80	5935.20
	February	233.00	185.90	6052.95	5671.90
	March	205.95	178.15	5971.20	5604.85

19. Registrar and Transfer Agents

Karvy Computershare Private Limited Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 Phone: +91 40 2342 0818 to 828 Fax : +91 40 2342 0814 Email: einward.ris@karvy.com

Contact Person: Mr. M.S. Madhusudhan - General Manager

Mr. R. Chandra Sekher - Senior Manager [Registrar in Securities]

20. 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 request.

21. Distribution of equity shareholding as on March 31, 2013

Nominal Value of	Shareholders		Value	
Equity Shares ₹	Number	%	₹	%
1 - 5000	10,805	89.57	11,032,240	2.77
5001 - 10000	620	5.14	4,701,240	1.18
10001 - 20000	277	2.30	4,027,390	1.01
20001 - 30000	103	0.85	2,601,960	0.66
30001 - 40000	51	0.42	1,803,560	0.45
40001 - 50000	35	0.29	1,664,790	0.42
50001 - 100000	65	0.54	4,554,870	1.15
100001 and above	107	0.89	367,314,340	92.36
TOTAL	12,063	100.00	397,700,390	100.00

Category of equity shareholders as on March 31, 2013

Category	No. of shares held	%
A. Foreign Promoter	29,827,529	75.00
B. Public shareholdings		
1. Institutional Investors		
a. Mutual Funds, financial institutions,		
banks and insurance companies	1,275,640	3.21
b. Foreign Institutional Investors	910,085	2.29
c. Foreign banks	200	0.00
Sub-total	2,185,925	5.50
2. Non-Institutions		
a. Bodies corporate	3,247,303	8.17
b. Indian public	4,424,432	11.12
c. Non Resident Indians	55,653	0.14
d. Trust	5,382	0.01
e. Clearing Members	23,815	0.06
Sub-total	7,756,585	19.50
Total public shareholding (1+2)	9,942,510	25.00
TOTAL (A+B)	39,770,039	100.00

22. Dematerialisation of shares as on March 31, 2013

Depository name	No. of shares dematerialised	Percentage on equity share capital
National Securities Depository Limited	37,303,427	93.80
Central Depository Services (India) Limited	2,079,594	5.23
Total dematerialised shares	39,383,021	99.03

23. No GDRs, ADRs have been issued by the Company.

24. Transfer of amounts to Investor Education and Protection Fund

A sum of ₹30,625 representing Rights Application Money of the Rights Issue 2005 which remained unclaimed for seven years has been transferred on September 24, 2012 and ₹227,023 representing equity dividend of the Company for the financial year 2004-05 which remained unclaimed for seven years has been transferred on October 31, 2012 to the Investor Education and Protection Fund established by Central Government pursuant to Section 205C of the Companies Act, 1956.

25. Equity shares in the Unclaimed Shares Demat Suspense Account

In terms of Clause 5A.II of the Listing agreement, the Company opened a demat account and dematerialised 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 'APPM - Unclaimed Shares Demat Suspense Account' as on March 31, 2013 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;		121
Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Shares Demat Suspense Account during the period;	-	-
Number of shareholders to whom shares were transferred from the Unclaimed Shares Demat Suspense Account during the period;	-	-
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Shares Demat Suspense Account as on March 31, 2013.	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.

26. Plant locations

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

27. Address for correspondence from shareholders

Karvy Computershare Private Limited	Secretarial Department
Plot No. 17 to 24, Vittal Rao Nagar,	The Andhra Pradesh Paper Mills Limited
Madhapur, Hyderabad - 500 081	Rajahmundry - 533 105
	East Godavari District,
	Andhra Pradesh

28. E-mail ID for investor grievance redressal:

1. ashok.yaramaneni@ipaper.com

2. srinivas.koruprolu@ipaper.com

The Assistant Manager (Secretarial) will register the complaints and take necessary follow up action.

Declaration by the Managing Director & CEO

The Members of The Andhra Pradesh Paper Mills Limited

In compliance with the requirements of Clause 49 of the Listing Agreement with the stock exchanges relating to Corporate Governance, I confirm that, on the basis of confirmations/declarations received, all the 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 (15 month period) March 31, 2013.

Hyderabad April 15, 2013 Rampraveen Swaminathan Managing Director & CEO

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF LISTING AGREEMENT WITH THE STOCK EXCHANGES IN INDIA

Certificate

The Members of

The Andhra Pradesh Paper Mills Limited

We have examined the compliance of conditions of corporate governance by The Andhra Pradesh Paper Mills Limited ("the Company") for the fifteen months period ended on March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **DELOITTE HASKINS & SELLS**

Chartered Accountants (Registration No. 008072S)

Ganesh Balakrishnan Partner (Membership No. 201193)

Independent Auditors' Report

To The Members of The Andhra Pradesh Paper Mills Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **THE ANDHRA PRADESH PAPER MILLS LIMITED** ("the Company") which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the 15 month period ended March 31, 2013 and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's management is responsible for 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 Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 auditors' judgement, 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 controls

relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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:

- in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- in the case of the Statement of Profit and Loss, of the loss of the Company for the 15 month period ended on that date; and
- in the case of the Cash Flow Statement, of the cash flows of the Company for the 15 month period ended on that date.

Emphasis of Matter

We draw attention to:

a. Note 41 to the Financial Statements which describes that Central Government approval is awaited for the payment of remuneration amounting to ₹141.83 lakhs (December 31, 2011 ₹194.64 lakhs) to certain Directors being in excess of the limits specified under Schedule XIII, to the Companies Act, 1956, during the previous financial period awaiting Central Government approval; and b. Note 42 to the Financial Statements, which describe that the Company had made a provision of ₹1,619.32 lakhs towards certain disputed matters relating to prior years, based on the opinion received from the legal advisors.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report)
 Order, 2003 ("the Order") issued by the Central
 Government in terms of Section 227(4A) of the Act,
 we give in the Annexure a statement on the matters
 specified in paragraphs 4 and 5 of the Order.
- As required under provisions of Section 227(3) of the Act, we report that:
 - We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 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;

- 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 Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act;
- e. On the basis of written representations received from the directors as on March 31, 2013 taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants (Firm Registration No. 008072S)

Ganesh Balakrishnan (Partner) (Membership No. 201193)

Hyderabad April 23, 2013

Annexure to the Independent Auditors' Report

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

- i. Having regard to the nature of the Company's business/activities/results during the period, clauses (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of the Order are not applicable to the Company.
- ii. In respect of its fixed assets:
 - The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - b. The fixed assets were physically verified during the period by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - c. The fixed assets disposed off during the period, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. In respect of its inventories:
 - As explained to us, the inventories were physically verified during the period by the management at reasonable intervals.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- v. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources

- are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - a. The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - b. Where each of such transaction is in excess of ₹5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vii. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- viii. In our opinion, the internal audit functions carried out during the period by an external agency appointed by the management have been commensurate with the size of the Company and the nature of its business.
- ix. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

- x. According to the information and explanations given to us in respect of statutory dues:
 - a. The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and other material statutory dues applicable to it with the appropriate authorities.
 - b. There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and other material statutory dues in arrears as at March 31, 2013 for a period of more than six months from the date they became payable.
 - c. Details of dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty and Excise Duty which have not been deposited as on March 31, 2013 on account of disputes are given below:

Name of statute Name of statute Nature of Forum where dispute is pending		Period to which the amount relates	Amount involved (₹ lakhs)	
Income Tax Act,	Tax	Commissioner of Income Tax	2007-08	0.39
1961		(Appeals), Hyderabad	2008-09	40.61
			2009-10	0.13
		Commissioner of Income Tax (Appeals), Rajahmundry	2010-11	4.64
		Deputy Commissioner of Income Tax (TDS), Hyderabad	2009-10	19.96
		High Court of Andhra Pradesh	2001-02	5.48
			2002-03	4.99
			2003-04	2.17
		Income Tax Appellate Tribunal, Hyderabad	2001-02	14.26
		Income Tax Office, TDS, Rajahmundry	2008-09	2.12
			2010-11	1.78
	Interest	High Court of Andhra Pradesh	1979-80	24.96
Central Sales Tax	Tax	Appellate Deputy Commissioner,	2006-07	8.45
Act, 1956		Visakhapatnam	2007-08	4.33
			2008-09	21.54
			2009-10	24.89
		High Court of Andhra Pradesh	1989-90 & 1991-92	5.70
		Sales Tax Appellate Tribunal, Visakhapatnam	2005-06	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
Andhra Pradesh	Tax	High Court of Andhra Pradesh	1987-88	0.19
General Sales Tax Act, 1957			1990-99, 2000-01 to 2004-05	126.78
	Sales Tax Appellate Tribunal, Hyderabad		1996-97	6.57
		Sales Tax Appellate Tribunal, Visakhapatnam	1991-96	57.63
AP Value Added Tax Act, 2005	Interest & Penalty	Assistant Commissioner, LTU, Kakinada	2007-09	2.67
	Tax	Appellate Deputy Commissioner, Visakhapatnam	2009-12	18.10

Contd.

Name of statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ lakhs)
Madhya Pradesh Value Added Tax Act, 2002	Value Added Tax		1997-98	15.00
Orissa Entry Tax	Tax	Deputy Commissioner of	2006 to 2010	2.72
Act, 1999		Commercial Taxes	2006 to 2010	0.68
West Bengal Value	Tax	Additional Commissioner of	2006-07	1.20
Added Tax Act, 2005		Commercial Taxes	2009-10	1.78
Central Excise	Duty	Customs, Excise & Service	2002-03	3.00
Act, 1944		Tax Appellate Tribunal, Bangalore	2003-04 to 2009-10	596.02
			2004-05 & 2005-06	5.46
			2004-05 to 2007-08	22.72
			2009-10 & 2010-11	0.40
		Commissioner of Central Excise	2007-08 to 2009-10	14.47
		(Appeals), Visakhapatnam	2008-09 & 2009-10	1.86
		High Court of Andhra Pradesh	1994-95	37.02
			1994-95 to 2001-02	1,517.68
			1996-97 & 1997-98	10.90
			2004-05	0.10
		Supreme Court	2000-01 to 2002-03	256.92
			2000-01 to 2006-07	45.39
			2003-04 & 2004-05	684.51
	Duty & Penalty	Customs, Excise & Service Tax Appellate Tribunal, Bangalore	1996-97 to 2006-07	129.29
			2000-01 to 2004-05	3.91
			2001-02 to 2010-11	43.28
			2002-03 & 2003-04	10.23
			2004-05	97.97
			2004-05 to 2006-07	147.14
			2005-06 & 2006-07	1.10
			2007-08 to 2009-10	5.29
			2008-09	894.38
			2008-09 & 2009-10	37.28
			2008-09 to 2010-11	1,482.80
		Commissioner of Central	2006-07 to 2008-09	1.09
		Excise (Appeals),	2007-08 & 2008-09	5.68
		Visakhapatnam	Oct 2010 to Sep 2011	1.41
			2011-12	0.64
			2011-12	2.04
		High Court of Andhra Pradesh	2000-01 to 2006-07	6.94
			2004-05 & 2005-06	274.19
			2005-06	110.96
			2006-07 & 2007-08	0.87
			2006-07 & 2007-08	1.51
			Apr 2007 to Mar 2009	5.71
		Supreme Court	2003-04 to 2006-07	5.33
	Penalty	Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2003-04 to 2010-11	531.22

Name of statute Name of statute Nature of dues dispute is pending		Period to which the amount relates	Amount involved (₹ lakhs)	
Finance Act, 1994	Tax	Commissioner of Central Excise (Appeals), Visakhapatnam	2008-09 to Jan 2012	36.48
		High Court of Andhra Pradesh	2004-05 & 2005-06	34.90
			2004-05 & 2005-06	91.60
	Tax & Penalty	Commissioner of Central Excise (Appeals), Visakhapatnam	2004-05 to 2009-10	83.21
			2005-06	5.47
			2005-06 to 2009-10	199.99
			2008-09 to Jan 2012	10.09
		Customs, Excise & Service Tax	2004-05 & 2005-06	45.64
		Appellate Tribunal, Bangalore	2004-05 & 2005-06	1.39
			April 2005 to July 2008	157.16

- xi. The accumulated losses of the Company at the end of the financial period are not more than fifty per cent of its net worth and the Company has not incurred cash losses in the financial period and in the immediately preceding financial period.
- xii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks. The Company has not issued any debentures.
- xiii. In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the period for the purposes for which they were obtained.
- xiv. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the period for long- term investment.
- xv. 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 has been noticed or reported during the period.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants (Firm Registration No. 008072S)

Ganesh Balakrishnan (Partner)

(Membership No. 201193)

Hyderabad April 23, 2013

Balance Sheet as at March 31, 2013

(In Indian rupees lakhs, except per share data and unless otherwise stated)	Note	As at March 31, 2013	As at December 31, 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	3,977.00	3,977.00
Reserves and surplus	4	41,704.28	44,074.51
		45,681.28	48,051.51
Non-current liabilities			
Long-term borrowings	5A	32,184.35	35,209.54
Deferred tax liabilities (Net)	6	12,431.63	12,166.70
Other long-term liabilities	7A	98.94	254.23
Long-term provisions	8A	18.51	_
		44,733.43	47,630.47
Current liabilities			
Short-term borrowings	5B	5,480.53	3,279.58
Trade payables	9	10,705.81	12,227.38
Other current liabilities	7B	14,155.40	14,365.01
Short-term provisions	8B	-	176.60
		30,341.74	30,048.57
TOTAL		120,756.45	125,730.55
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10A	81,621.56	80,648.07
Intangible assets	10B	465.66	12.52
Capital work-in-progress		2,237.18	6,121.36
Non-current investments	11	1,602.64	1,605.34
Long-term loans and advances	12A	8,700.73	5,529.67
		94,627.77	93,916.96
Current Assets			
Inventories	14	14,479.31	21,191.77
Trade receivables	15	4,557.88	3,525.95
Cash and bank balances	16	1,656.40	2,415.41
Short-term loans and advances	12B	5,338.67	4,524.11
Other current assets	13	96.42	156.35
		26,128.68	31,813.59
TOTAL		120,756.45	125,730.55

Corporate Information & Significant Accounting Policies 1 & 2 See accompanying notes forming part of the financial statements

In terms of our report attached

For The Andhra Pradesh Paper Mills Limited

For DELOITTE HASKINS & SELLS

Chartered Accountants

Ganesh Balakrishnan

Partner

Hyderabad April 23, 2013 W. Mahal Amod J. W. Michael Amick Jr.

Executive Chairman

Jayashree Satagopan

Sr. Vice President (Finance & Accounts) & Chief Finance Officer

Rampraveen Swaminathan Managing Director & CEO

C. Prabhakan

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

Statement of Profit and Loss for the 15 month period ended March 31, 2013

(In Indian rupees lakhs, except per share data and unless otherwise stated)	Note	15 month period ended March 31, 2013	9 month period ended December 31, 2011
INCOME			
Revenue from operations (Gross)	17	129,869.87	63,007.33
Less: Excise Duty		6,819.52	3,484.57
Revenue from operations (Net)		123,050.35	59,522.76
Other income	18	2,311.26	637.49
TOTAL INCOME		125,361.61	60,160.25
EXPENSES			
Cost of materials consumed	19	37,649.35	19,292.14
Purchases of stock-in-trade (Traded goods)		602.35	76.74
Changes in inventories of finished goods,			
work-in-progress and stock in trade	20	7,949.58	(8,222.10)
Employee benefits expense	21	11,233.85	6,566.08
Finance costs	22	5,536.25	3,610.34
Depreciation and amortisation expense	10C	8,793.72	5,062.13
Other expenses	23	54,049.81	35,091.17
TOTAL EXPENSES		125,814.91	61,476.50
Loss before exceptional items and tax		(453.30)	(1,316.25)
Exceptional items (Refer Note 42)		1,619.32	_
Loss before tax		(2,072.62)	(1,316.25)
Tax expense	24	297.61	8,464.97
Loss for the period		(2,370.23)	(9,781.22)
Earnings per share (Face value of ₹10 each) Basic & Diluted	30	(5.96)	(24.59)

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

Ganesh Balakrishnan

Partner

Hyderabad April 23, 2013 For The Andhra Pradesh Paper Mills Limited

W. Matel And 1. W. Michael Amick Jr. **Executive Chairman**

Jayachee Jayashree Satagopan

Sr. Vice President (Finance & Accounts) &

Chief Finance Officer

Rampraveen Swaminathan Managing Director & CEO

C. Prabhakan

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

Cash Flow Statement for the 15 month period ended March 31, 2013

(In Indian rupees lakhs, except per share data and unless otherwise stated)	15 month period ended stated) March 31, 2013		9 month period ender December 31, 201	
CASH FLOW FROM OPERATING ACTIVITIES				
Loss before tax		(2,072.62)		(1,316.25
Adjustments for:		,		,
Depreciation and amortisation expense	8,793.72		5,062.13	
Profit on sale of fixed assets (Net)	(27.10)		(3.65)	
Loss on discarded fixed assets	272.21		3,112.02	
Finance costs	5,536.25		3,610.34	
Interest income	(200.71)		(105.02)	
Dividend income on long-term investments	(0.15)		(0.19)	
Gain on sale of long-term investments	(7.66)		_	
Bad trade receivables and advances written-off	7.46		19.07	
Liabilities/provisions no longer required written back	(472.95)		(116.49)	
Provision for doubtful trade receivables and advances (Net)	40.31		59.41	
Provision for diminution in the value of investment	_		59.00	
Exceptional Items	1,619.32		_	
Net unrealised exchange (gain)/loss	15.12	15,575.82	596.22	12,292.84
Operating profit before working capital changes		13,503.20		10,976.59
Changes in working capital:				
Adjustments for (increase)/decrease in operating assets:				
Inventories	6,712.46		(9,084.92)	
Trade receivables	(1,063.97)		2,119.81	
Short-term loans and advances	(806.06)		(892.97)	
Long-term loans and advances	(32.48)		64.66	
Other current assets	53.71		_	
Adjustments for increase/(decrease) in operating liabilities:				
Trade payables	(1,533.21)		2,344.23	
Other current liabilities	1,220.35		2,279.70	
Other long-term liabilities	34.83		_	
Short-term provisions	(176.60)		(285.62)	
Long-term provisions	18.51	4,427.54	_	(3,455.11
Cash generated from operations		17,930.74		7,521.48
Net income tax paid		(521.14)		(566.76
Net cash flow from operating activities (A)		17,409.60		6,954.72
CASH FLOW FROM INVESTING ACTIVITIES				
Capital expenditure on fixed assets, including capital advances	(9,516.48)		(3,997.80)	
Proceeds from sale of fixed assets	101.28		338.68	
Bank balances not considered as cash and cash equivalents	211.77		(177.36)	
Proceeds from sale of long-term investments	10.36		_	
Interest received	206.93		96.95	
Dividend received	0.15	(8,985.99)	0.19	(3,739.34
Net cash flow used in investing activities (B)		(8,985.99)		(3,739.34

(In Indian rupees lakhs, except per share data and unless otherwise stated)	15 month pe March 3			eriod ended r 31, 2011
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from long-term borrowings	18,993.47		5,787.88	
Proceeds from short-term borrowings	6,825.00		7,452.94	
Proceeds from public deposit	236.75	26,055.22	467.30	13,708.12
Net increase/(decrease) in working capital borrowings		2,512.64		1,067.59
Repayment of long-term borrowings				
(including current maturities of the same)	(17,008.89)		(12,989.08)	
Repayment of short-term borrowings	(14,175.00)		_	
Repayment of public deposit	(738.25)	(31,922.14)	(583.64)	(13,572.72)
Finance cost		(5,613.85)		(3,784.57)
Dividends paid (including for earlier years)	(2.72)		(399.32)	
Tax on dividend	_	(2.72)	(64.52)	(463.84)
Net cash flow used in financing activities (C)		(8,970.85)		(3,045.42)
Net (decrease)/increase in cash and cash equivalents (A+B+C)		(547.24)		169.96
Cash and cash equivalents at the beginning of the period		2,042.51		1,872.55
Cash and cash equivalents at the end of the period (Refer Note 16)		1,495.27		2,042.51
See accompanying notes forming part of the financial statements				

In terms of our report attached

For The Andhra Pradesh Paper Mills Limited

For DELOITTE HASKINS & SELLS

Chartered Accountants

Ganesh Balakrishnan

Partner

Hyderabad April 23, 2013 W. Michael Amick Jr. Executive Chairman

Jayashree Satagopan

Sr. Vice President (Finance & Accounts) &

Chief Finance Officer

Rampraveen Swaminathan Managing Director & CEO

C. Prabhaxan

C. Prabhakar

Senior Vice President (Corporate Affairs) & Company Secretary

Notes forming part of the Financial Statements

1. Corporate Information

The Andhra Pradesh Paper Mills Limited ("APPM"/"the Company") is an integrated pulp and paper manufacturer. APPM was incorporated on June 29, 1964 in pursuance of an agreement dated May 13, 1964 between Government of Andhra Pradesh (GoAP) and Mr. G.D. Somani. By an agreement dated February 10, 1966, Mr. G.D. Somani transferred all his rights, powers and authorities contained in the Agreement dated May 13, 1964 in favour of The West Coast Paper Mills Limited (WCPM). By an agreement dated April 16, 1981, WCPM assigned to Digvijay Investments Limited (DIL) all its rights and obligations under the agreement dated February 10, 1966.

Consequent upon disinvestment of its entire shareholding in favour of DIL in December, 2003, GoAP and DIL agreed by an agreement dated December 12, 2003 that all subsisting rights and obligations of GoAP and DIL arising out of the above agreements dated February 10, 1966 and April 16, 1981 stand terminated with effect from December 18, 2003. In October 2011, IP Holding Asia Singapore Pte. Limited has acquired controlling stake of 75% of paid up share capital in the Company from the then promoters and public shareholders. Pursuant to such acquisition, IP Holding Asia Singapore Pte Limited, became the holding company of The Andhra Pradesh Paper Mills Limited and International Paper Company, USA, being the ultimate holding company.

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') on accrual basis under the historical cost convention to comply with the Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006 (as amended), the relevant provisions of the Companies Act, 1956 and the guidelines issued by Securities and Exchange Board of India.

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. Future results could differ due to these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Fixed 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.

Capital work-in-progress

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

d. Depreciation and amortisation

Depreciation on plant and machinery situated at Rajahmundry and Kadiyam Units and buildings located at Kadiyam Unit are provided on straight line method applying the rates specified under Schedule XIV of the Companies Act, 1956.

Leasehold improvements are amortised over the primary period of lease or the estimated useful life of such assets, whichever is shorter.

Freehold land is not depreciated.

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

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

Individual assets costing less than ₹5,000 are depreciated in full in the year of acquisition.

Depreciation on other fixed assets is charged under written down value method in accordance with Schedule XIV of the Companies Act, 1956.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

e. 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 recognised 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 recognised in the statement of profit and loss.

f. 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.

g. Inventories

Inventories are valued at the lower of cost and net realisable 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, transit insurance and receiving charges.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	Weighted average method.
Stores and spares and packing materials	Weighted average method.
Work-in-process and finished goods (manufactured)	Weighted average method and including an appropriate share of applicable overheads.
	Excise duty is included in the value of finished goods.

Raw material and packing material held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.

h. 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.

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 Employee's 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. 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 to the Regional Provident Fund Commissioner, a statutory authority. 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 all ascertained liabilities 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 ICICI Prudential Life Insurance, Life Insurance Corporation and Birla Sun Life Insurance. The Company recognises 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 recognised in 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 superannuation fund maintained with Birla Sun Life Insurance. 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 recognised in the period in which the absences occur.

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 recognised 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 capitalised as part of the depreciable fixed assets to which the monetary item relates and depreciated over the remaining useful life of such assets. If such monetary items do not relate to acquisition of depreciable fixed assets, the exchange difference is amortised over the maturity period/upto the date of settlement of such monetary items, whichever is earlier. The unamortised exchange difference is carried in the Balance Sheet as "Foreign currency monetary item translation difference account" net of the tax effect thereon, where applicable.

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 amortised as income or expense over the period of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or expense for the period.

j. Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from sale of goods is inclusive of excise duty and exclusive of returns, sales tax and applicable trade discounts and allowances.

Dividend income is recognised when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on a time proportionate method using underlying interest rates.

Export entitlements are recognised as income when the right to receive credit as per the terms of the 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.

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

Income from sale of Certified Emission Reduction points (CERs) granted by UNFCCC on energy efficient measures are accounted as and when sold to customers.

k. Borrowing costs

Borrowing costs include interest, amortisation 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 utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction/development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets.

I. Leases

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

m. Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with 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 recognised 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 recognised 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 recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised 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 realised. 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 realisability.

n. 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.

o. Provisions and contingencies

A provision is recognised 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.

p. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and 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.

3. Share capital

	As at March 31, 2013		As at December 31, 2011	
	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 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 period

		As at March 31, 2013		As at December 31, 2011	
	Number of Shares	Amount	Number of Shares	Amount	
As at beginning of the period	39,770,039	3,977.00	39,770,039	3,977.00	
Changes during the period	-	-	-	_	
As at end of the period	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 paid up equity shares having a par value of ₹10 each per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed 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	As at	
	March 31, 2013	December 31, 2011	
	Number of Shares	Number of Shares	
IP Holding Asia Singapore Pte. Limited#	29,827,529	29,827,529	
*The ultimate holding company is International Pa	aper 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 a	t	As a	t		
	March 31, 2013				, 2013 December 3	
	Number of Shares	%	Number of Shares	%		
IP Holding Asia Singapore Pte. Limited	29,827,529	75.00	29,827,529	75.00		

		As at March 31, 2013	As at December 31, 2011
4. Reserves and su	ırplus		
Capital redemption res	erve	598.00	598.00
Securities premium res	erve	18,211.13	18,211.13
General reserve		29,016.06	29,016.06
Surplus/(Deficit) in Stat	ement of Profit and Loss		
Opening balance		(3,750.68)	6,030.54
Add: Loss for the	period	(2,370.23)	(9,781.22)
Closing balance		(6,120.91)	(3,750.68)
TOTAL		41,704.28	44,074.51
5A. Long-term borro	wings*		
Secured [Refer Note 1	(a) below]		
Term loans from banks	[Refer Note 1(b) below]	7,149.58	18,743.56
Term loans from other	parties [Refer Note 1(c) below]	2,533.53	5,620.81
Unsecured			
Term loans from banks	(Refer Note 2 below)	14,825.00	7,350.00
Deferred payment liabi	lities (Refer Note 4 below)	3,559.94	3,273.67
Fixed deposits from pu	blic (Refer Note 5 below)	44.55	221.50
Loan from a related pa	rty (Refer Note 6 below)	4,071.75	_
TOTAL		32,184.35	35,209.54

^{*}Current maturities of long-term debts are disclosed under Note 7B - Other current liabilities.

	As at March 31, 2013	As at December 31, 2011
5B.Short-term borrowings		
Secured		
Loans repayable on demand from banks (Refer Note 3 below)	5,177.73	2,665.08
Unsecured		
Fixed deposits from public (Refer Note 5 below)	302.80	614.50
TOTAL	5,480.53	3,279.58

Notes

- 1. a. Term loans availed from various banks and other parties aggregating to ₹16,760.40 [December 31, 2011 ₹33,668.51] are secured by a pari passu first charge on all the movable and immovable properties of the Company situated at Rajahmundry, Kadiyam and Serinarasannapalem, and Term Loan IV is further secured by a charge on current assets of the Company. These term loans are availed at interest rates ranging from 10% to 14%, except for Term II at six month Libor plus 300 basis points.
 - b. These term loans from banks are repayable as under:
 - Term Loan I: ₹888.33 (December 31, 2011 ₹993.16) repayable in seven half-yearly installments of ₹126.91 each.
 - Term Loan II: ₹NiI (December 31, 2011 ₹6,581.66) repayable in 16 equal quarterly installments. The entire amount has been re-paid during the current financial period.
 - Term Loan III: ₹1,599.30 (December 31, 2011 ₹3,199.99) repayable in two annual installments of ₹799.65 each.
 - Term Loan IV: ₹7,233.33 (December 31, 2011 ₹11,566.67) repayable in two quarterly installments of ₹500.00 each and seventeen quarterly installments of ₹366.67 each.
 - Term Loan V: ₹1,293.75 (December 31, 2011 ₹1,900.00) repayable in fifteen quarterly installments of ₹86.25 each.
 - c. Term loans from other parties represents term loans availed from Foreign Financial Institutions, aggregating ₹5,745.69 (December 31, 2011 ₹9,427.03) is availed at six month libor plus 250 basis points. These term loans are repayble as under:
 - Term Loan I: ₹5,067.67 (December 31, 2011 ₹7,435.40) repayable in four semi-annually installments of ₹1,266.92 each.
 - Term Loan II: ₹678.63 (December 31, 2011 ₹1,991.63). The amount of ₹678.63 is repayable within one year. The Company is in the process of creating exclusive first charge on specific moveable fixed assets of the Company in respect of Term Loan V for ₹1,293.75 (December 31, 2011 ₹1900.00).
- 2. The Company has availed unsecured term loans from banks aggregating to ₹14,825.00 (December 31, 2011 ₹7,350) and are secured by Letter of Comfort from International Paper Company, USA, the ultimate holding company, at interest rates ranging from 9.50% to 11%. These term loans are repayable as under:
 - a. Term Loan I: ₹6,825 (December 31, 2011 Nil) has a maturity of 36 months and is due in the financial year 2015-16. Further, it is subject to put/call option at the end of 18 months.
 - b. Term Loan II: ₹4,000 (December 31, 2011 Nil) is payable in 3 equal installments at the end of 18, 24 and 36 months.
 - c. Term Loan III : ₹4,000 (December 31, 2011 Nil) has a tenor of 18 months, which is renewable automatically for a successive period of 18 months, subject to consent of both the parties.
 - d. Term Loan IV: ₹Nil (December 31, 2011 ₹7,350) having an original maturity of 15 months has been repaid during the current financial period.
- 3. The Company has availed working capital demand loans/cash credit facilities/buyers credit from certain banks, at interest rates ranging from 9% to 13% during the year. The outstanding as at the Balance Sheet date aggregates ₹5,177.73 (December 31, 2011 ₹2,665.08). These are secured by hypothecation of current assets along with second charge on the fixed assets of the Company situated at Rajahmundry, Kadiyam and Serinarasannapalem and a Letter of Comfort from International Paper Company, USA, the ultimate holding company.
- 4. Deferred payment liabilities represents 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 ₹133.16 (December 31, 2011 Nil) is due within next twelve months and is included under the head 'Current maturities of long-term debts' disclosed under Note 7B Other current liabilities.
- 5. The Company has accepted public deposits at 10% to 10.92% interest rates, depending on the tenure of the fixed deposits. The total outstanding amount as at the Balance Sheet date aggregates ₹348.80 (December 31, 2011 ₹877.31) of which ₹44.55 (December 31, 2011 ₹221.50) is payable beyond one year and ₹302.80 (December 31, 2011 ₹614.50) is repayable within next twelve months. Unclaimed public deposits of ₹1.45 (December 31, 2011 ₹17.01) is included under the head 'Unpaid matured deposits and interest accrued thereon' disclosed under Note 7B Other current liabilities.
- 6. The Company availed an unsecured loan from IP Holding Asia Singapore Pte. Limited, the holding company, aggregating ₹4,071.75 (December 31, 2011 Nil) at Libor plus 250 basis points. Loan is repayable in seven half yearly installments commencing from December 31, 2014.

	As at March 31, 2013	As at December 31, 2011
6. Deferred tax liabilities (Net)		
Deferred tax liabilities		
Fixed assets	14,510.54	13,613.99
Others	101.76	66.96
	14,612.30	13,680.95
Deferred tax assets		
Disallowances under Section 43B of the Income Tax Act,	1961 337.70	332.41
Unabsorbed depreciation	1,529.48	1,058.43
Others	313.49	123.41
	2,180.67	1,514.25
TOTAL	12,431.63	12,166.70
7A.Other long-term liabilities		
Advance rent received	34.83	_
Others	64.11	254.23
TOTAL	98.94	254.23
7B.Other current liabilities		
Current maturities of long-term debts		
Secured (Refer Note 5 for details of security)	7,077.28	9,313.42
Unsecured	133.16	_
Interest accrued but not due on borrowings	230.47	136.16
Interest accrued and due on borrowings	_	183.55
Advance rent received	38.00	_
Unpaid dividends	9.00	11.72
Application money received for allotment of securities	5.55	
and due for refund and interest accrued thereon	0.83	0.83
Unpaid matured deposits and interest accrued thereon	1.69	17.01
Trade/security deposits received	1,934.54	1,609.77
Other payables	,	,
Statutory remittances (Contributions to PF and ESIC,		
Withholding Taxes, Excise Duty, VAT, Service Tax, o	etc.) 732.95	900.55
Payables on purchase of fixed assets	629.79	604.61
Contractually reimbursable expenses	328.66	297.26
Others	3,039.03	1,290.13
TOTAL	14,155.40	14,365.01

	As at March 31, 2013	As at December 31, 2011
8A.Long-term provisions		
Provision for employee benefits		
Compensated absences	18.51	_
TOTAL	18.51	_
8B.Short-term provisions		
Provision for employee benefits		
- Compensated absences	_	59.02
- Gratuity (Refer Note 26)	_	117.58
TOTAL	-	176.60
9. Trade payables		
Trade payables		
Dues to micro and small enterprises (Refer Note 37)	80.23	143.50
Dues to others	10,625.58	12,083.88
TOTAL	10,705.81	12,227.38

10. Fixed assets

	Gross Block			Accumulated Depreciation			Net Block			
Description	As at January 1, 2012	Additions*	Adjust- ments/ Disposals	As at March 31, 2013	As at January 1, 2012	Depreci- ation for the period	Adjust- ments/ Disposals	As at March 31, 2013	As at March 31, 2013	As at December 31, 2011
A. Tangible										
Land - Freehold	298.33 <i>253.81</i>	- 44.52	-	298.33 298.33	-	-	-	_ _	298.33 <i>298.33</i>	298.33
Buildings -										
Own use	8,786.26	94.90	53.13	8,828.03	3,412.06	618.80	51.28	3,979.58	4,848.45	5,374.20
	8,707.33	85.69	6.76	8,786.26	3,022.46	393.76	4.16	3,412.06	5,374.20	
Leasehold	3.94	_	0.82	3.12	3.85	-	0.78	3.07	0.05	0.09
	3.94	_	-	3.94	3.84	0.01	_	3.85	0.09	
Plant and Equipment	113,651.76	8,331.58	397.20	121,586.14	38,975.93	7,770.41	131.23	46,615.11	74,971.03	74,675.83
	119,937.40	3,101.84	9,387.48	113,651.76	40,613.13	4,388.87	6,026.07	38,975.93	74,675.83	
Furniture and Fixtures	262.35	261.32	145.65	378.02	219.83	36.65	122.89	133.59	244.43	42.52
rixtures	245.14	37.28	20.07	262.35	197.98	38.49	16.64	219.83	42.52	42.32
Vehicles	421.31	345.06	124.55	641.82	271.57	94.04	98.86	266.75	375.07	149.74
Vernicies	461.91	72.76	113.36	421.31	302.71	36.25	67.39	271.57	149.74	173.77
Office equipment	709.52	581.48	430.30	860.70	602.16	176.94	400.27	378.83	481.87	107.36
Omoo oquipmoni	747.16	-	37.64	709.52	606.16	-	4.00	602.16	107.36	107.00
Leasehold	,		07.10	, , , , ,	000.70			0020		
improvements	_	439.02	_	439.02	_	36.69	-	36.69	402.33	_
	_	_	_	_	_	_	_	_	_	
TOTAL	124,133.47	10,053.36	1,151.65	133,035.18	43,485.40	8,733.53	805.31	51,413.62	81,621.56	80,648.07
	130,356.69	3,342.09	9,565.31	124,133.47	44,746.28	4,857.38	6,118.26	43,485.40	80,648.07	
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	217.27	513.38	20.71	709.94	204.75	60.19	20.66	244.28	465.66	12.52
	217.27		_	217.27	_	204.75		204.75	12.52	
TOTAL	2,151.24	513.38	20.71	2,643.91	2,138.72	60.19	20.66	2,178.25	465.66	12.52
	2,151.24	_	_	2,151.24	1,933.97	204.75	-	2,138.72	12.52	

^{*} Additions to fixed assets include capitalisation of interest of ₹86.82 (December 31, 2011 - ₹227.91) and foreign exchange fluctuations of ₹284.77 (December 31, 2011 - ₹1683.21).

Previous year figures in italics.

C. Depreciation/Amortisation for the period

-	•	
	15 month period ended March 31, 2013	9 month period ended December 31, 2011
Tangible assets	8,733.53	4,857.38
Intangible assets	60.19	204.75
TOTAL	8,793.72	5,062.13

		As at March 31, 2013	As at December 31, 2011
11. ľ	Non-current investments		
	est, unless otherwise stated)		
	rade (Unquoted)		
	nvestments in equity instruments of other entities		
	Andhra Pradesh Gas Power Corporation Limited		
	,340,000 (December 2011 - 1,340,000) equity shares of ₹10 each	1,538.37	1,538.37
	OTAL TRADE - A	1,538.37	1,538.37
	Other Investments	,	,
	nvestments in equity instruments of other entities (quoted)		
	amil Nadu Newsprint & Papers Limited		
	- Nil (December 31, 2011 - 1,000) equity shares of ₹10 each	_	1.10
J	K Paper Mills Limited		
	. Nil (December 31, 2011 - 100) equity shares of ₹10 each	_	0.04
5	Seshasayee Paper and Boards Limited		
	- Nil (December 31, 2011 - 100) equity shares of ₹10 each	-	0.08
٦	The Sirpur Paper Mills Limited		
	- Nil (December 31, 2011 - 100) equity shares of ₹10 each	_	0.09
5	Star Paper Mills Limited		0.00
	-Nil (December 31, 2011 - 100) equity shares of ₹10 each	_	0.03
-	Rama Newsprint & Papers Limited - Nil (December 31, 2011 - 25) equity shares of ₹10 each		
	(*December 31, 2011: ₹228 only)	_	_*
7	The West Coast Paper Mills Limited	_	
	- Nil (December 31, 2011 - 500) equity shares of ₹2 each	_	0.18
Е	Ballarpur Industries Limited		
	- Nil (December 31, 2011 - 300) equity shares of ₹2 each	_	0.05
ľ	TC Limited		
	- Nil (December 31, 2011 - 3,000) equity shares of ₹1 each	_	1.09
(Orient Paper and Industries Limited		
	- Nil (December 31, 2011 - 1,000) equity shares of ₹1 each	_	0.04
	OTAL (I)	_	2.70
II. I	nvestments in equity instruments of other entities (unquoted)		
5	Somar Granites Private Limited		
	- 30,000 (December 31, 2011 - 30,000) equity shares of ₹10 each	3.00	3.00
r	Kedia Distillery Limited	04.74	04.74
	- 212,800 (December 31, 2011 - 212,800) equity shares of ₹10 each	61.71	61.71
	OTAL (II)	64.71	64.71
III. I	nvestments in mutual fund (quoted)		
l	JTI Services Industries Fund-Dividend Plan		
	- 321,759.706 (December 31,2011 - 321,759.706) units of ₹10 each	183.27	183.27
1	OTAL (III)	183.27	183.27
٦	otal other investments - B (I + II + III)	247.98	250.68
1	OTAL (A + B)	1,786.35	1,789.05
$\overline{}$	ess: Provision for diminution in value of investments	(183.71)	(183.71)
	OTAL	1,602.64	1,605.34
	Aggregate amount of quoted investments	183.27	185.97
	Aggregate market value of quoted investments	87.27	72.68
	Aggregate amount of unquoted investments	1,603.08	1,603.08

	As at March 31, 2013	As at December 31, 2011
12A. Long-term loans and advances		
Unsecured, considered good unless otherwise stated		
Capital advances		
Unsecured, considered good	2,788.47	138.35
Doubtful	22.28	22.28
	2,810.75	160.63
Less: Provision for doubtful advances	22.28	22.28
	2,788.47	138.35
Security deposits	490.54	381.49
Loans and advances to employees	31.02	49.62
Prepaid expenses	7.13	107.60
Advance income tax [Net of provision for ₹1,391.86 lakhs		
(December 31, 2011 - ₹1,138.00 lakhs)]	1,350.71	1,085.41
MAT credit entitlement	2,942.85	2,719.69
Balances with government authorities	1,090.01	1,047.51
TOTAL	8,700.73	5,529.67
12B. Short-term loans and advances		
Unsecured, considered good unless otherwise stated		
Security deposits	34.13	68.39
Loans and advances to employees	131.42	145.88
Prepaid expenses	172.03	177.60
Balances with government authorities:		
CENVAT credit receivable	1,711.58	1,176.75
Service Tax credit receivable	165.35	19.71
Customs receivable	102.58	28.70
Advance to material supplier/contractors	2,382.39	2,328.52
Doubtful	72.98	64.48
	2,455.37	2,393.00
Less: Provision for other doubtful loans and advances	72.98	64.48
	2,382.39	2,328.52
Others	639.19	578.56
TOTAL	5,338.67	4,524.11

	As at March 31, 2013	As at December 31, 2011
13. Other current assets		
Accruals		
Interest accrued on deposits	25.78	28.16
Interest accrued on trade receivables	_	3.84
	25.78	32.00
Others		
Other receivables (Refer Note 28)	68.73	_
Fixed assets held for sale	1.91	124.35
	70.64	124.35
TOTAL	96.42	156.35
14. Inventories		
(At lower of cost and net realisable value)	0.000.44	1 000 00
Raw material	3,692.44	1,996.23
Goods-in-transit	-	2,363.91
Work-in-progress	1,016.54	1,413.95
Finished goods (Other than those acquired for trading)	2,485.35	10,058.82
Stock-in-trade (Acquired for trading)	21.30	_
Stores and spares	6,735.84	5,193.29
Goods-in-transit	527.84	165.57
TOTAL	14,479.31	21,191.77
15. Trade receivables		
Trade receivables outstanding for a period exceeding		
six months from the date they were due for payment		
- Secured, considered good	15.35	1.08
- Unsecured, considered good	_	9.09
- Doubtful	79.19	51.50
	94.54	61.67
Less: Provision for doubtful receivables	79.19	51.50
	15.35	10.17
Other Trade receivables		
- Secured, considered good	1,326.19	914.88
- Unsecured, considered good	3,216.34	2,600.90
- Doubtful	4.63	0.51
	4,547.16	3,516.29
Less: Provision for doubtful receivables	4.63	0.51
	4,542.53	3,515.78
TOTAL	4,557.88	3,525.95

	As at March 31, 2013	As at December 31, 2011
6. Cash and bank balances		
Cash and cash equivalents		
Cash in hand	7.16	8.17
Cheques, drafts on hand	_	0.27
Balances with banks		
in current accounts	204.46	1,433.72
in EEFC accounts	0.01	268.95
in demand deposit accounts	850.00	3.08
Others - Remittance in transit	433.64	328.32
	1,495.27	2,042.51
Other bank balances		
In earmarked accounts		
Balances held as margin money, gurarantees		
and other commitments	152.13	361.18
Unpaid dividend accounts	9.00	11.72
	161.13	372.90
TOTAL	1,656.40	2,415.41

	15 month period ended March 31, 2013	9 month period ended December 31, 2011
17. Revenue from operations		
Revenue from sale of products	129,164.44	62,340.59
Revenue from sale of traded goods	601.83	85.44
Other operating revenue		
Sale of saplings	103.60	46.30
Sale of surplus power	_	535.00
Revenue from operations (Gross)	129,869.87	63,007.33
Less: Excise duty*	6,819.52	3,484.57
TOTAL	123,050.35	59,522.76
 Excise duty related to opening and closing stocks has been disclosed in Note 23 		
18. Other income		
Interest income	200.71	105.02
Dividend income from long term investments	0.15	0.19
Scrap and other sales	1,443.21	324.73
Profit on sale of fixed assets (Net)	27.10	3.65
Insurance and other claims	50.58	42.02
Gain on sale of long term investments	7.66	_
Liabilities/Provision no longer required written back	472.95	116.49
Miscellaneous income	108.90	45.39
TOTAL	2,311.26	637.49
19. Cost of materials consumed		
Opening stock	1,996.23	3,512.48
Add: Purchases	39,345.56	17,775.89
	41,341.79	21,288.37
Less: Closing stock	3,692.44	1,996.23
TOTAL	37,649.35	19,292.14

	15 month period ended March 31, 2013	9 month period ended December 31, 2011
20. Changes in inventories of finished goods work-in-progress and stock in trade	5	
Opening work-in-progress	1,413.95	1,142.31
Opening finished goods and stock-in-trade	10,058.82	2,108.36
	11,472.77	3,250.67
Closing work-in-progress	1,016.54	1,413.95
Closing finished goods and stock-in-trade	2,506.65	10,058.82
	3,523.19	11,472.77
Net (Increase)/decrease	7,949.58	(8,222.10)
21. Employee benefits expense		
Salaries, wages & bonus	8,988.85	5,270.77
Contribution to provident and other funds	1,248.34	795.66
Workmen & staff welfare expenses	996.66	499.65
TOTAL	11,233.85	6,566.08
22. Finance costs		
Interest expense on		
Borrowings	4,480.22	2,731.40
Deposits	252.70	155.52
Others	93.56	407.46
Bank and finance charges	709.77	315.96
TOTAL	5,536.25	3,610.34

	15 month period ended March 31, 2013	9 month period ended December 31, 2011
23. Other expenses		
Consumption of stores, spares and chemicals	24,987.96	15,196.20
Consumption of packing materials	2,881.81	1,601.49
Increase/(decrease) of excise duty on inventories	(213.85)	230.49
Power and fuel	11,478.26	7,783.64
Repairs and maintenance		
Buildings	346.82	158.50
Plant and machinery	3,002.22	1,244.09
Others	384.42	162.92
Processing charges	433.17	302.98
Commission and discount on sales	3,974.11	2,069.57
Forwarding, transportation and other sales expenses	787.76	623.33
Rates and taxes	458.56	517.18
Rent (Refer Note 29)	340.72	170.33
Insurance	443.21	164.61
Legal and professional charges	2,545.18	149.68
Research and development	469.20	117.93
Provision for doubtful trade receivables and advances (Net)	40.31	59.41
Provision for diminution in the value of investment	-	59.00
Bad trade receivables and advances written-off	7.46	19.07
Payment to auditors (Refer Note 36)	43.05	19.96
Directors' sitting fees	11.90	5.45
Exchange differences (Net)	200.50	790.15
Loss on discarded fixed assets (Refer Note 40)	272.21	3,112.02
Miscellaneous expenses	1,154.83	533.17
TOTAL	54,049.81	35,091.17
24. Tax expense		
Current tax expense	222.89	577.01
Less: MAT credit	(223.16)	_
Short/(Excess) provision for tax relating to prior years	32.95	(7.49)
Net current tax expense	32.68	569.52
Deferred tax expense (Refer Note below)	264.93	7,895.45
TOTAL	297.61	8,464.97

Note

The Company, upto March 31, 2011 had been consistently recognizing the deferred tax expense, on the basis of the applicable Minimum Alternate Tax rates rather than the regular tax rates as specified under paragraph 21 of Accounting Standard 22 - Accounting for Taxes on Income ('AS 22'). The Company has challenged the provisions of AS 22, in this regard and has accordingly filed a writ petition in June 2003 before the Hon'ble High Court of Andhra Pradesh. The case has been subsequently transferred to the Hon'ble Calcutta High Court. The writ petition has been admitted and is currently pending resolution. During the period ended December 31, 2011, notwithstanding the ultimate outcome of the writ petition, the management has provided for the differential liability of ₹8,474.66.

25. Contingent liabilities and commitments

		As at March 31, 2013	As at December 31, 2011
Coı	ntingent Liabilities		
i.	Guarantees and Letters of Credit		
	Guarantees issued by banks	765.84	687.39
	Letters of credit outstanding	445.62	1,629.08
	Corporate guarantee given to Forest Department,		
	Government of Andhra Pradesh	-	1,472.09
ii.	Claims against the Company not acknowledged as debts		
	Pending decisions on various appeals made by the		
	Company and by the Department		
	Income tax matters	121.50	52.51
	Excise matters, under dispute	7,687.59	4,645.24
	Sales tax matters, under dispute	373.81	306.28
	Other matters, under dispute	226.24	334.12
	Vacant land tax	400.98	357.39
	Electricity duty	3,912.75	3,205.43
	(Levy of electricity duty towards consumption of energy		
	generated by captive power unit)		
	Demand raised by Eastern Power Distribution Corporation of		
	Andhra Pradesh Limited for surplus power supplied by		
	APGPCL disputed by the Company. An amount of ₹76.98		
	paid under protest (December 31, 2011 - ₹76.98) has been		
	grouped under loans and advances. The appeal filed by		
	APTRANSCO is pending before A.P. High Court in which	07.00	07.00
_	other companies similarly placed are made respondents.	87.66	87.66
	mmitments		
	imated amount of contracts remaining to be executed on		
•	oital account and not provided for (Net of advances)	3,998.27	1,043.89
Cor	mmitment under Export Promotion Capital Goods (EPCG) scheme	35,197.75	51,360.62

26. Employee benefit plans

a. The following table sets out the status of the gratuity plan as required under AS-15 (Revised):

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

	Period ended March 31, 2013	Period ended December 31, 2011
Opening defined benefit obligation	2,055.02	1,915.64
Current service cost	120.47	67.27
Interest cost	188.21	71.62
Benefits paid	(450.03)	(245.99)
Actuarial losses/(gain)	591.11	246.48
Obligations at the end of the period	2,504.78	2,055.02

ii. Change in plan assets

		As at	As at
		March 31, 2013	December 31, 2011
Opening fair value of plan assets		1,937.44	2,142.50
Expected return on plan assets		212.11	201.25
Actuarial gain/(losses)		81.60	(185.32)
Contribution by employer		739.90	25.00
Benefits paid		(450.02)	(245.99)
Closing fair value of plan assets		2,521.03	1,937.44
iii. Amount recognized in Balance Sheet			
		As at March 31, 2013	As at December 31, 2011
Present value of funded obligations		2,504.78	2,055.02
Fair value of plan assets		2,521.03	1,937.44
Net asset/(liability)		16.25	(117.58)
iv. Expenses recognized in the Statement of Profit and	Loss		
		Period ended March 31, 2013	Period ended December 31, 2011
Current service cost		120.47	67.27
Interest on defined benefit obligation		188.21	71.62
Expected return on plan assets		(212.11)	(201.25)
Net actuarial losses/(gains) recognized		509.51	431.80
Amount included in employee benefits expense		606.08	369.44
v. Investment details			
		As at March 31, 2013	As at December 31, 2011
Insurance Managed Funds	%	100.00	100.00
TOTAL	%	100.00	100.00
vi. Summary of actuarial assumptions			
		March 31, 2013	December 31, 2011
Discount rate	%	7.90	8.35
Estimated rate of return on plan assets	%	7.50	7.50
Salary escalation rate	%	10.00	5.00

Discount rate: The discount rate is based on the prevailing market yields of Indian government 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

	March 31, 2013	December 31, 2011	March 31, 2011	March 31, 2010	March 31, 2009
Defined Benefit Obligation	2,504.78	2,055.02	1,915.64	1,824.64	1,870.77
Plan assets	2,521.03	1,937.44	2,142.50	2,081.10	1,836.32
Surplus/(Deficit)	16.25	(117.58)	226.86	256.46	(34.45)
Exp. Adj. on Plan Liabilities	133.38	316.03	(1,724.68)	_	_
Exp. Adj. on Plan Assets	81.14	(185.31)	_	_	_

b. Superannuation

The Company contributed ₹83.94 (Previous period - ₹54.35) to the Superannuation fund maintained with Life Insurance Corporation of India during the period ended March 31, 2013.

c. Provident Fund

The Company contributed ₹396.74 (Previous period - ₹277.81) to the Provident Fund trust maintained by the Company and ₹149.98 (Previous period - ₹92.09) to Regional Provident Fund Commissioner.

The Guidance on Implementing AS 15, Employee Benefits (Revised 2005) issued by Accounting Standards Board (ASB) states that benefit involving employer established provident funds, require interest shortfalls to be recompensed. Accordingly, the Company has provided ₹Nil during the period (Previous period - ₹28.40) as shortfall to the Provident Fund trust.

d. Compensated absences

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

27. Segment information

The Company is in the business of manufacture and sale of pulp, paper and paperboard. Considering the core activities of the Company, 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		Ov	erseas	Total	
	15 month period ended March 31, 2013	9 month period ended December 31, 2011	15 month period ended March 31, 2013	9 month period ended December 31, 2011	15 month period ended March 31, 2013	9 month period ended December 31, 2011
Segment revenue*	113,087.18	56,586.31	16,782.69	6,421.02	129,869.87	63,007.33
Segment assets	119,941.06	125,587.50	815.39	143.05	120,756.45	125,730.55

^{*} Overseas segment revenue includes export incentives received by virtue of exports.

28. Related party transactions

a. List of related parties and relationships:

i. Ultimate holding company

International Paper Company, USA

ii. Holding company

IP Holding Asia Singapore Pte. Limited, Singapore

iii. Entity where principal shareholders have control

Samay Books Limited (up to October 14, 2011)

The Peria Karamalai Tea & Produce Company Limited (up to October 14, 2011)

iv. Fellow subsidiaries where transactions exists

IP Paper (India) Private Limited

International Paper Inc. TN USA

International Paper Procurement (Shanghai) Limited

MB Commercial Company Limited (up to October 14, 2011)

Swadeshi Commercial Company Limited (up to October 14, 2011)

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

The Employees Provident Fund of APPM Limited

vi. Key Management Personnel

Name of the Person	Relationship	Status
Mr. W. Michael Amick Jr.	Executive Chairman	From August 23, 2012
Mr. Rampraveen Swaminathan	Managing Director & CEO	From March 2, 2012
Mr. P.K. Suri	Director (Operations)	Up to July 13, 2012
Mr. Paul Brown	Chairman & CEO Executive Chairman	From October 15, 2011 to March 1, 2012 From March 2, 2012 to July 13, 2012
Mr. L.N. Bangur	Executive Chairman	Upto October 14, 2011
Mr. M.K. Tara	Managing Director & CEO	Upto October 14, 2011
Ms. Sheetal Bangur	Director (Commercial)	Upto October 14, 2011
Mr. Shreeyash Bangur	Director (Corporate)	Upto October 14, 2011

vii. Non-Executive/Independent Directors

Name of the Person	Relationship	Status				
Mr. Praveen P. Kadle	Director	From Jan 25, 2012				
Mr. Michael Baymiller	Director	From July 13, 2012				
Mr. Kenneth P. Huelskamp	Director	From July 13, 2012				
Mr. Thomas G. Kadien	Director	From October 14, 2011				
Mr. Brett A. Mosely	Director	From October 14, 2011				
Mr. M.S. Ramachandran	Director	From December 6, 2011				
Ms. Ranjana Kumar	Director	From December 6, 2011				
Mr. M.K. Sharma	Director	From December 6, 2011				
Mr. Adhiraj Sarin	Director	From December 6, 2011				
Mr. Milind Sarwate	Director	From December 6, 2011				
Ms. Alka Bangur	Director	Upto May 17, 2011				
Mr. N. Srinivasan	Director	Upto December 6, 2011				
Mr. R.C. Sarin	Director	Upto August 8, 2011				
Mr. P.K. Paul	Director	Upto December 6, 2011				
Mr. Rajiv Kapsi	Director	Upto December 6, 2011				
Mr. P. R. Ramakrishnan	Director	Upto December 6, 2011				
Mr. P.J.V. Sarma	Director	Upto December 6, 2011				
Mr. Shreeyash Bangur	Director	From October 14, 2011 to July 12, 2012				

b. Summary of significant related party transactions

	Name of the related party	15 month period ended March 31, 2013	9 month period ended December 31, 2011
Sale of goods	The Swadeshi Commercial Company Limite	ed –	129.34
Purchases of goods	International Paper Inc. TN USA	16.95	_
	Samay Books Limited	_	347.28
Professional charges	IP Paper (India) Private Limited	2,077.33	_
- Management contracts			
Rent received from	IP Paper (India) Private Limited	41.17	_
Recovery of expenses	IP Paper (India) Private Limited	68.73	_
Sale of miscellaneous items	The Peria Karamalai Tea & Produce Company Limited	_	18.02
Rent paid	MB Commercial Company Limited	_	1.54
Managerial remuneration	Key Management Personnel Other Directors	243.97* 11.90	415.99 [®] 5.45
Interest on public deposit	Key Management Personnel	-	0.02
Sale of fixed assets	The Peria Karamalai Tea & Produce Company Limited	_	46.87
Foreign currency loan received	IP Singapore PTE Limited	4,055.68	-
Interest paid on foreign currency loan to	IP Singapore PTE Limited	63.61	-
Capital advances made	International Paper Procurement (Shanghai) Limited	292.72	_
Advances received	IP Paper (India) Private Limited	114.00	_
Contribution to PF	The Employees Provident Fund of APPM Limited	396.74	277.81

Note

- * Represents remuneration paid to Mr. Rampraveen Swaminathan (MD & CEO) and Mr. P. K. Suri (Director, Operations) in compliance with the Notification No. G.S.R. 534 (E), dated July 14, 2011, by the Ministry of Corporate Affairs read along with Schedule XIII of the Companies Act, 1956. The remuneration was paid in their capacity as independent professionals appointed by the Company, who possess requisite professional qualifications with expert knowledge in their field of profession. Further, the Company's legal counsel also opined that no central government approval is required, as the managerial personnel meet the requirement of Notification No. G.S.R. 534 (E), dated July 14, 2011.
- [®] Refer Note 41

March 31, 2013

28,938.76

8,436.32

37,649.35

274.27

December 31, 2011

13,810.89

5,292.32

19,292.14

188.93

c. Amounts due from/due to related parties

	Name of the related party	As at March 31, 2013	As at December 31, 2011
Due from related parties			
Capital Advances	International Paper Procurement (Shanghai) Limited	142.52	_
Advance receivable	IP Paper (India) Private Limited	68.73	_
Due to related parties			
Advances received from	IP Paper (India) Private Limited	72.83	_
Interest Payable on Foreign currency loan	IP Singapore PTE Limited	31.68	-
Foreign currency loan payable	IP Singapore PTE Limited	4,071.75	-
Trade payables	International Paper Inc. TN USA	16.73	_
	IP Paper (India) Private Limited	2,205.71	_

29. Leases

Hardwood

Others

TOTAL

Waste paper cuttings, wood pulp, etc.

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

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

		As at March 31, 2013	As at December 31, 2011
	Not later than 1 year	34.47	31.33
	Later than 1 year and not later than 5 years	181.72	177.03
	More than 5 years	495.04	542.04
30.	Earnings per share		
		15 month period ended March 31, 2013	9 month period ended December 31, 2011
	Loss for the period	(2,370.23)	(9,781.22)
	Weighted average number of equity shares outstanding		
	during the period (Numbers) - Basic and Diluted	39,770,039	39,770,039
	Earnings per share (Face value ₹10 per share)		
	Basic and Diluted (₹)	(5.96)	(24.59)
31.	Raw materials consumed during the year		
		15 month period ended	9 month period ended

^{*}Others include items, which do not individually exceed 10% of total consumption.

32. Details of imported and indigenous raw materials, spares and packing materials consumed

		15 month period ended March 31, 2013			th period ended mber 31, 2011
		₹	% of total consumption		₹ % of total consumption
	Raw materials				
	Imported	6,683.48	17.75	3,694.8	1 19.15
	Indigenous	30,965.87	82.25	15,597.3	3 80.85
	TOTAL	37,649.35	100.00	19,292.1	4 100.00
	Stores, chemicals, spares and				
	packing materials				
	Imported	3,825.35	13.73	1,813.3	8 10.80
	Indigenous	24,044.42	86.27	14,984.3	1 89.20
	TOTAL	27,869.77	100.00	16,797.6	9 100.00
33.	CIF value of imports				
			15 mon	th period ended March 31, 2013	9 month period ended December 31, 201
	Raw materials			5,275.84	3,395.51
	Stores and spares			4,218.95	1,708.42
	Capital goods			1,216.52	643.79
	Others			21.30	
	TOTAL			10,732.61	5,747.72
34.	Earnings in foreign currency (on acc	crual basis)			
			15 mon	th period ended March 31, 2013	9 month period ended December 31, 2011
	Exports on FOB basis			11,747.59	2,139.32
	TOTAL			11,747.59	2,139.32
35.	Expenditure in foreign currency				
			15 mon	th period ended March 31, 2013	9 month period ended December 31, 2011
	Travelling			39.37	13.93
	Interest			494.24	541.96
	Membership subscriptions			0.47	0.48
	TOTAL			534.08	556.37

36. Payment to auditors

	15 month period ended March 31, 2013	9 month period ended December 31, 2011
Statutory audit	21.00	8.00
Limited reviews	12.00	4.00
Taxation services	_	0.75
Other services	8.75	6.52
Out of pocket expenses (*)	1.30	0.69
TOTAL	43.05	19.96

^{*} Pertains to amounts paid to erstwhile auditors

37. The amount due to Micro and Small Enterprises as defined in the 'The Micro, Small and Medium Enterprises 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 and Small Enterprises as at March 31, 2013 are as under:

	As at March 31, 2013	At December 31, 2011
Principal amount remaining unpaid to supplier at the end of the period	80.23	143.50
Interest due thereon remaining unpaid to supplier at the end of the period	11.65	
The amount of interest paid along with the amounts of the payment made to supplier 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	11.65	_

38. Derivative instruments

The following are the outstanding forward exchange contracts entered into by the Company:
 As at March 31, 2013

Currency	Buy/Sell	No of contracts	Foreign currency (in Million USD)	₹	
USD	Buy	1	2.33	1,397.20	
As at December	31, 2011				
Currency	Buy/Sell	No of contracts	Foreign currency (in Million USD)	₹	
USD	Buy	2	2 16.99		

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, 2013 (All figures in Lakhs)				t Decembe	,
	USD	Euro	₹	USD	Euro	₹
Trade receivables	15.02	_	815.39	2.69	_	143.05
Trade payables	7.25	0.10	400.07	10.69	0.001	567.15
Advances received from customers	3.00	_	162.76	1.56	_	82.88
Bank balances	0.10	_	5.67	5.06	_	268.96
Term loans	173.86	_	9,439.00	198.55	_	10,544.89
Interest payable	1.96	_	106.42	_	_	_

39 Expenses disclosed under the respective notes are net of the following amounts capitalised by the Company under Capital work-in-progress/Fixed assets:

	15 month period ended March 31, 2013	9 month period ended December 31, 2011
Employee benefits expense	65.26	56.85
Finance cost (net)	201.73	272.59
Forex (Gain)/Loss	(17.61)	499.61
Rates & taxes	2.59	_
Travel and other expenses	71.79	_

- **40.** During the previous period ended December 31, 2011, the Company carried out an internal technical assessment based on its global standards and methodologies whereby assets with a book value of ₹3,112.02 have been identified as unsuitable for future use and accordingly was debited to Statement of Profit and Loss for the 9 month period ended December 31, 2011. The same has been disclosed under Note 23 Other Expenses.
- 41. During the previous period ended December 31, 2011, the Company accrued ₹415.99 towards managerial remuneration to the erstwhile three promoter Directors, a Managing Director & CEO and a Director (Operations), which was in excess of the maximum limits specified in Schedule XIII to the Companies Act, 1956. The excess remuneration amounted to ₹194.64. The shareholders at the AGM held on March 22, 2012 approved the remuneration payable to such Directors, through a special resolution, subject to the Central Government approval. The requisite application was made to the Central Government on April 17, 2012 and as of date; the Company received approval for ₹52.81 towards remuneration paid to three Directors. The management is confident of obtaining the Central Government approval for the remaining two Directors for the balance amount of ₹141.83.
- **42.** During the period ended March 31, 2013, the Company based on its internal assessment of certain disputed matters relating to prior years and on the legal opinion obtained on such matters, made a provision of ₹1,619.32 in the books, being ₹1,561.31 towards interest and ₹58.01 towards taxes. The same is disclosed under exceptional items.
- 43. The Company entered into an arrangement with a fellow subsidiary, pursuant to which professional services were rendered. The Company made an application on July 3, 2012 to the Regional Director, Ministry of Corporate Affairs for approval and pending such approval, the Company recognized and accounted a provision of ₹1,400 in the books during the quarter/twelve month period ended December 31, 2012. Subsequently, the Company had withdrawn the application on February 6, 2013 and consequently, the provision was reversed in the books.
- **44.** The Board of Directors approved the change of the current financial year between January 1, 2012 and December 31, 2012 to March 31, 2013 for a period of 15 months. Pursuant to such change, the Company has closed its accounts for 15 month period ended March 31, 2013 and the previous period figures are for 9 month period ended December 31, 2011. Hence the same are not comparable.
- **45.** Disclosure as per Clause 32 of the Listing Agreement:
 - Maximum balance outstanding during the period ₹Nil (December 31, 2011 ₹Nil)
 - Balance as at March 31, 2013 ₹Nil (December 31, 2011 ₹Nil)

46. Comparative figures

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

for The Andhra Pradesh Paper Mills Limited

W. Michael Amick Jr. Executive Chairman

Jayashree Satagopan Sr. Vice President (Finance & Accounts) &

Chief Finance Officer

Rampraveen Swaminathan Managing Director & CEO

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

C. Prabhaxan

Hyderabad April 23, 2013



THE ANDHRA PRADESH PAPER MILLS LIMITED

Registered Office: Rajahmundry - 533 105, East Godavari District, Andhra Pradesh

Mr./Ms.	

MEMBER

PROXY

No. of Shares

(Please tick as applicable)

- Note: 1. Only Members of the Company or their proxies will be allowed to attend the Meeting ON PRODUCTION OF ATTENDANCE SLIP duly completed and signed.
 - 2. Members are requested to bring their copies of Annual Report with them.
 - Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.

ATTENDANCE SLIP

Day Tuesday
Date August 6, 2013

Time 11.30 a.m.

Venue Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103

Folio No.

Demat Particulars DP ID No.

Client ID No.

I hereby record my presence at the 49th ANNUAL GENERAL MEETING of the Company

Signature of the Member or Proxy



INTERNATIONAL PAPER

THE ANDHRA PRADESH PAPER MILLS LIMITED

Registered Office: Rajahmundry - 533 105, East Godavari District, Andhra Pradesh

No. of Shares

FORM OF PROXY

Folio No.

Demat Particulars DP ID No.

Client ID No.

I/We		
	(Name of Member)	
of	(Address)	
	PRADESH PAPER MILLS LIMITED hereby appoint	
of		e of proxy)
01	(Address of proxy)	. or railing minimer
	(Name of alternate proxy)	
of		
	(Address of alternate proxy)	
as my/our proxy to vote for me/us	on my/our behalf at the 49th ANNUAL GENERAL MEETING	of the Company to
be held at 11.30 a.m. on Tuesda	y, the August 6, 2013 and at any adjournment thereof.	
Date	Signature	Affix a 15 paise Revenue Stamp

Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid Meeting. The Proxy need not be a member of the Company.

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www.andhrapaper.com

FORM A Format of covering letter of the Annual Audit Report to be filed with the Stock Exchanges

1.	Name of the Company	The Andhra Pradesh Paper Mills Limited
2.	Annual standalone financial statements for the year ended	Fifteen month period ended March 31, 2013
3.	Type of Audit observation	Emphasis of Matter: We draw attention to:
		a) Note 41 to the Financial Statements which describes that Central Government approval is awaited for the payment of remuneration amounting to ₹ 141.83 lakhs (December 31, 2011 ₹ 194.64 lakhs) to certain directors being in excess of the limits specified under Schedule XIII, to the Companies Act, 1956, during the previous financial period awaiting Central Government approval; and
		b) Note 42 to the Financial Statements, which describes that the Company had made a provision of ₹ 1,619.32 lakhs towards certain disputed matters relating to prior years, based on the opinion received from the legal advisors.
		Our opinion is not qualified in respect of these matters.
4.	Frequency of observation	Not Applicable
5	Signed by	Δ
	Mr. Rampraveen Swaminathan Managing Director & CEO	hammed a second
	Ms. Jayashree Satagopan Chief Financial Officer	Refer our Audit Report dated April 23, 2013 on the
	Statutory Auditors of the company Deloitte Haskins & Sells Mr. Ganesh Balakrishnan	Refer our Audit Report dated April 23, 2013 on the standalone financial statements of the Company For DELOITTE HASKINS & SELLS Chartered Accountants (Firm Registration No. 008072S) CHARTERED OF CHARTER OF CHARTERED OF CHAR
	Mr. Milind Shripad Sarwate Chairman of Audit Committee	#Santate