


# FORM A

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

1.	Name of the Company	International Paper APPM Limited (Formerly known as "The Andhra Pradesh Paper Mills Limited")
2.	Annual standalone financial statements for the year ended	Financial year ended March 31, 2014
3.	Type of Audit observation	<p><b>Emphasis of Matter:</b></p> <p>We draw attention to Note 40 to the financial statements which describes that the Central Government has rejected the application made by the Company for the payment of remuneration of Rs.70.07 lakhs made to an erstwhile promoter director, in an earlier year, in excess of the limits specified under Schedule XIII, to the Companies Act, 1956. The Company has made a representation to the Ministry of Corporate Affairs ("MCA") against the said rejection and the approval is pending from the MCA.</p> <p>Our opinion is not qualified in respect of this matter.</p>
4.	Frequency of observation	Not applicable
5.	Signed by	
	Mr. Rampraveen Swaminathan Managing Director & CEO	 
	Ms. Jayashree Satagopan Chief Financial Officer	
	Statutory Auditors of the Company Deloitte Haskins & Sells Mr. Ganesh Balakrishnan	<p>Refer our Audit Report dated 22<sup>nd</sup> April, 2014 on the standalone financial statements of the Company.</p>  <p>For DELOITTE HASKINS &amp; SELLS Chartered Accountants (Firm Registration No.008072S)</p>  <p>Ganesh Balakrishnan (Partner) (Membership No.201193)</p>
	Mr. Milind Shripad Sarwate Chairman of Audit Committee	

**INTERNATIONAL PAPER APPM LIMITED**

(CIN: L21010AP1964PLC001008)

(Formerly known as The Andhra Pradesh Paper Mills Limited)

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

**Notice of Annual General Meeting**

NOTICE is hereby given that the 50th Annual General Meeting of the Members of International Paper APPM Limited will be held **on Wednesday, August 27, 2014 at 11.30 a.m. at Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103, East Godavari District, Andhra Pradesh, India** to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt financial statements of the Company for the financial year ended March 31, 2014 including the Audited Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss for the year ended as on that date and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Thomas G. Kadien (holding DIN 03632772) who retires by rotation and is eligible for re-appointment.

**3. Appointment of Auditors**

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

"RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made there under and pursuant to the recommendation of the Audit Committee of the Board of Directors, 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 Annual General Meeting to the conclusion of the fifth consecutive Annual General Meeting (subject to ratification of the appointment by the Members at every Annual General Meeting held after this Annual General Meeting) and that the Board of Directors be and are hereby authorized to fix such remuneration as may be determined by the Audit Committee in consultation with the auditors, and that such remuneration may be paid on a progressive billing basis to be agreed upon between the Auditors and Board of Directors of the Company."

**SPECIAL BUSINESS**

**4. Appointment of Mr. M.S. Ramachandran as an Independent Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. M.S. Ramachandran (holding DIN 00943629), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the

office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to March 31, 2019."

**5. Appointment of Ms. Ranjana Kumar as an Independent Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Ms. Ranjana Kumar (holding DIN 02930881), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to March 31, 2019."

**6. Appointment of Mr. Praveen P. Kadle as an Independent Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Praveen P. Kadle (holding DIN 00016814), Director of the Company whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to March 31, 2019."

**7. Appointment of Mr. M.K. Sharma as an Independent Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. M.K. Sharma (holding DIN 00327684), Director of the Company whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby

appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to March 31, 2019."

8. **Appointment of Mr. Adhiraj Sarin as an Independent Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Adhiraj Sarin (holding DIN 00140989), Director of the Company whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to March 31, 2019."

9. **Appointment of Mr. Milind Sarwate as an Independent Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Millind Sarwate (holding DIN 00109854), Director of the Company whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to March 31, 2019."

10. **Appointment of Ms. Shiela Pallerne Vinczeller as a Director of the Company**

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

"RESOLVED THAT Ms. Shiela Pallerne Vinczeller (holding DIN 06833616), who was appointed as an Additional Director of the Company by the Board of Directors with effect from March 31, 2014 in terms of Section 260 of the Companies Act, 1956 [corresponding to Section 161(1) of the Companies Act, 2013] and Article 129 of the Articles of Association of the Company and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

11. **Borrowing of moneys in excess of the aggregate of the paid up share capital and free reserves**

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

"RESOLVED THAT in supersession of the Ordinary Resolution adopted at the 42nd Annual General Meeting held on September 30, 2006 and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter called the Board) which term shall be deemed to include any Committee thereof which the Board might have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with power to delegate such authority to any person or persons, to borrow moneys in excess of the aggregate of the paid up share capital and free reserves of the Company, provided that the total amount borrowed and outstanding at any point of time, apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business, shall not be in excess of ₹1,000 crore (Rupees one thousand crore only) over and above the aggregate of the paid up share capital and free reserves of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

12. **Creation of mortgage and/or charge and/or hypothecation on movable and/or immovable properties of the Company**

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

"RESOLVED THAT in supersession of the Ordinary Resolution adopted at the 42nd Annual General Meeting held on September 30, 2006 and pursuant to Section 180(1)(a) and any other applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter called the Board) which term shall be deemed to include any Committee thereof which the Board might have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with power to delegate such authority to any person or persons, to create mortgage and/or charge and/or hypothecation (in addition to existing mortgages, charges and hypothecations) on any of its movable and/or immovable properties of the Company wherever situated both present and future on such terms and conditions at such time(s) and in such form and manner and with such ranking as the Board in its absolute discretion thinks fit in favour of any financial institution(s), bank(s) or body(ies) corporate in India or abroad to secure



rupee term loans, foreign currency loans, external commercial borrowings, bonds, debentures, commercial paper or other instruments for an amount not exceeding ₹1,000 crore (Rupees one thousand crore only) together with interest, cost, charges and expenses thereon.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

### 13. Remuneration of Cost Auditors

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

"RESOLVED THAT pursuant to Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) the remuneration of ₹5.85 lakhs (excluding Service Tax) plus reimbursement of travelling and out of pocket expenses as approved by the Board of

Directors of the Company to be paid to Messrs Narasimha Murthy & Co., Cost Accountants, Hyderabad, Cost Auditors to conduct the audit of the cost records of the Company, for the financial year ending March 31, 2015 be and is hereby ratified and confirmed.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

**By Order of the Board  
For International Paper APPM Limited**



**C. Prabhakar**

Sr. Vice President (Corporate Affairs) &  
Company Secretary

Registered Office:  
Rajahmundry - 533 105  
East Godavari District,  
Andhra Pradesh  
June 25, 2014

## Notes

1. The Register of Members and the Share Transfer books of the Company will remain closed from August 13, 2014 to August 27, 2014 (both days inclusive).
2. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 setting out details relating to Special Business in respect of Items 4 to 13 is annexed hereto.
3. **A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a Member of the Company.**  
**A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights.**  
The instrument of proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the Meeting. Proxies submitted on behalf of the companies, societies etc. must be supported by an appropriate resolution/authority, as applicable.
4. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 will be available for inspection by the Members at the 50th Annual General Meeting.
5. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the Members at the 50th Annual General Meeting.
6. 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.

7. 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).
8. Members are requested to bring their copies of Annual Report to the Meeting.
9. As per the provisions of Section 72(3) the Companies Act, 2013 facility for making nomination is available to the investors in respect of the shares held by them in physical form. The investor holding shares in physical form can download the nomination form SH - 13 as prescribed in Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014 from the Company's **website: [www.ipappm.com](http://www.ipappm.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.
10. ECS Mandate form is also placed on the Company's website. Interested Members holding shares in physical form can download this form from the Company's **website: [www.ipappm.com](http://www.ipappm.com)**.
11. The Ministry of Corporate Affairs on May 10, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. The objective of the IEPF Rules is to help Members ascertain status of the unclaimed amounts and overcome the problems due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company

has uploaded the information in respect of the Unclaimed Dividends in respect of the financial years from 2006, as on the date of the 49th Annual General Meeting held on August 6, 2013, on the website of the IEPF viz. [www.iepf.gov.in](http://www.iepf.gov.in) and under 'Investors' on the website of the Company.

12. Electronic copy of the Annual Report for 2013-14 including notice of 50th Annual General Meeting is being sent to all the Members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any Member has requested for a hard copy of the same. For Members who have not registered their email address, physical copies of the Annual Report for 2013-14 are being sent in the permitted mode.
13. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the 50th Annual General Meeting (AGM) by electronic means and the business may

be transacted through E-voting services provided by Karvy Computershare Private Limited.

14. Members may also note that the Annual Report for 2013-14 including Notice of 50th Annual General Meeting is available on the Company's website [www.ipappm.com](http://www.ipappm.com). The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Rajahmundry, East Godavari District, Andhra Pradesh for inspection from 9 a.m. to 12 noon on any working day. Even after registering for e-communication, Members are entitled to receive such communication in physical form, upon making a request for the same, by post, free of cost. For any communication, the Members may also send requests to the Company's email ID: [Nagendrarao.Mittapalli@ipaper.com](mailto:Nagendrarao.Mittapalli@ipaper.com).
15. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company from 9 a.m. to 12 noon on any working day, excluding Sunday, till the date of the Annual General Meeting.

## I. EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

### Item 4

Mr. M.S. Ramachandran was appointed as an Independent Director of the Company in December 2011. He holds a Bachelor's Degree in Mechanical Engineering and has held numerous senior positions in the Indian energy sector. He has extensive corporate and operational experience spanning over 35 years with Indian Oil Corporation Limited, where he started as a Management Trainee in 1969 and eventually left as Chairman of the Board in 2005. During his tenure, Indian Oil grew to become the leading Indian corporate in the Fortune 'Global 500' listing.

Mr. M.S. Ramachandran also served as the Executive Director of the Oil Coordination Committee of India's Ministry of Petroleum and Natural Gas. He has been on the board as Non-Executive Director for a number of companies and has acted in an advisory capacity to organizations including BHP Billiton India, Chevron Business Development, Inc. etc.

He is currently on the Boards of Supreme Petrochem Limited, Ester Industries Limited, ICICI Bank Limited, Gulf Oil Corporation Limited and Gulf Oil Lubricants India Limited. He is a Member of Audit Committee of (a) ICICI Bank Limited (b) Ester Industries Limited and a Member of Nomination/Remuneration Committee of (a) ICICI Bank Limited (b) Gulf Oil Corporation Limited (c) Gulf Oil Lubricants India Limited and (d) Ester Industries Limited and Chairman of Stakeholder Relationship Committee of Gulf Oil Lubricants India Limited.

Mr. M.S. Ramachandran retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of the Companies Act, 1956. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. M.S. Ramachandran, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for five consecutive years for a term

up to March 31, 2019. A Notice under Section 160(1) of the Companies Act, 2013 has been received from a Member proposing Mr. M.S. Ramachandran as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. M.S. Ramachandran fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for his appointment as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the Members at the Registered Office of the Company from 9 a.m. to 12 noon on any working day, excluding Sunday, till the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail his services as Independent Director. Accordingly, the Board commends the Resolution in relation to his appointment as an Independent Director, for the approval by the Members of the Company.

He does not hold any shares in the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives except Mr. M.S. Ramachandran, being appointee, is concerned or interested, financial or otherwise, in the Resolution set out at Item 4. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the stock exchanges.

### Item 5

Ms. Ranjana Kumar was appointed as an Independent Director of the Company in December 2011. Ms. Ranjana Kumar, Graduate in Arts, is a prominent Indian banker with

varied experience of over four decades. She retired as a Vigilance Commissioner from the Central Vigilance Commission and has held several significant positions in her career, including that of the Chairperson and Managing Director of Indian Bank, Chairperson of NABARD, Executive Director holding concurrent charge as Chairperson and Managing Director of Canara Bank and CEO of the US operations of Bank of India based in New York. Ms. Ranjana Kumar, under her chairpersonship, was instrumental in turning around Indian Bank from a loss making entity into a successful bank. She has been recipient of various awards, notable being, 'BMA Management Woman Achiever of the Year Award 2008-09', 'Banker of the Year 2002' by Business Standard, and was acclaimed 'India's Turnaround Queen - November 2003' by the Economist, U.K.

Ms. Ranjana Kumar is currently on the Boards of Tata Global Beverages Limited, Coromandel International Limited, GVK Power & Infrastructure Limited, International Asset Reconstruction Company Private Limited, Rainbow Children's Medicare Private Limited and Vyome Biosciences Private Limited. She is a Member of Audit Committee of Tata Global Beverages Limited and International Asset Reconstruction Company Private Limited.

Ms. Ranjana Kumar retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of the Companies Act, 1956. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Ms. Ranjana Kumar, being eligible and offering herself for appointment, is proposed to be appointed as an Independent Director for five consecutive years for a term up to March 31, 2019. A Notice under Section 160(1) of the Companies Act, 2013 has been received from a Member proposing Ms. Ranjana Kumar as a candidate for the office of Director of the Company.

In the opinion of the Board, Ms. Ranjana Kumar fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under for her appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for her appointment as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the Members at the Registered Office of the Company from 9 a.m. to 12 noon on any working day, excluding Sunday, till the date of the Annual General Meeting.

The Board considers that her continued association would be of immense benefit to the Company and it is desirable to continue to avail her services as Independent Director. Accordingly, the Board commends the Resolution in relation to her appointment as an Independent Director, for the approval by the Members of the Company.

She does not hold any shares in the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives except Ms. Ranjana Kumar, being appointee, is concerned or interested, financial or otherwise, in the Resolution set out at Item 5. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the stock exchanges.

## Item 6

Mr. Praveen P. Kadle was appointed as an Independent Director of the Company in January 2012. He is an Honors Graduate in commerce & accountancy. He is a Member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Cost and Works Accountants of India.

Mr. Praveen P. Kadle is also the founding Managing Director & CEO of Tata Capital Limited and also Managing Director & CEO of Tata Capital Financial Services Limited, and has been with the Tata Group for over 18 years. He joined the Tata Group as Chief Financial Officer of Group's joint venture with IBM in India where he served for 5 years. Thereafter, he joined Tata Motors Limited as Vice President (Finance) and in the year 2001 was promoted to the Board of Tata Motors Limited as Executive Director - Finance and Corporate Affairs.

Mr. Praveen P. Kadle played a major role in the turnaround and growth of Tata Motors where he was also instrumental in setting up and guiding the operations of Tata Technologies and TELCON (a Tata Motors - Hitachi JV). During his tenure at Tata Motors, Mr. Praveen P. Kadle was part of the senior leadership team that managed several cross-border acquisitions. Prior to joining the Tatas, Mr. Praveen P. Kadle was the CEO and Member of the board of Garware-Wall Ropes Limited. Mr. Praveen P. Kadle is a Board Member on various Tata and non-Tata companies.

He is a Member of Audit Committee of (a) TC Travel and Services Limited (b) Tata Capital Forex Limited (c) Tata Cleantech Capital Limited (d) Tata Autocomp Systems Limited and (e) Tata Technologies Limited (Chairman) and a Member of Shareholders/Investors Grievance Committee of Tata Capital Limited and Tata Capital Financial Services Limited. He is also a Member of Nomination/Remuneration Committee of Tata Cleantech Capital Limited and Tata Capital Forex Limited (Chairman).

Mr. Praveen P. Kadle is a Director whose period of office is liable to determination by retirement of directors by rotation under the erstwhile applicable provisions of the Companies Act, 1956. In terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. Praveen P. Kadle, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for five consecutive years for a term up to March 31, 2019. A Notice under Section 160(1) of the Companies Act, 2013 has been received from a Member proposing Mr. Praveen P. Kadle as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. Praveen P. Kadle fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for his appointment as an Independent Director would be available for inspection without any fee by the Members at the Registered Office of the Company from 9 a.m. to 12 noon on any working day, excluding Sunday, till the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail his services as Independent Director. Accordingly, the Board commends the Resolution in relation to his appointment as an Independent Director, for the approval by the Members of the Company.

He does not hold any shares in the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives except Mr. Praveen P. Kadle, being appointee, is concerned or interested, financial or otherwise, in the Resolution set out at Item 6. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the stock exchanges.

#### **Item 7**

Mr. M.K. Sharma was appointed as an Independent Director of the Company in December 2011. He holds Bachelor Degrees in Arts and Law besides P.G. Diplomas in Personal Management and Labour Laws.

Mr. M.K. 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. M.K. 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 and he was also a Member of Managing Committee/National Committee of ASSOCHAM, FICCI, CII and Bombay Chamber of Commerce & Industry.

Mr. M.K. Sharma is currently on the Boards of ICICI Lombard General Insurance Company Limited, Wipro Limited, Asian Paints Limited, Blue Star Limited, Ikyu Human Capital Solutions Limited, East India Investment Company Private Limited, ICICI Prudential Asset Management Company Limited, Gwalior Webbing Company Private Limited, Anglo Scottish Education Society Limited, Indian School of Business, Hyderabad (Member), Thomas Cook (India) Limited (Chairman), India Infradebt Limited (Chairman), Cathedral Welfare Trust (Trustee) and the Sanmar Group (Member-Advisory Board). He is also a Member of Audit Committee of (a) Thomas Cook (India) Limited (b) Wipro Limited (c) Asian Paints Limited and (d) Blue Star Limited and a Member of Shareholders'/Investors' Grievance Committee of Thomas Cook (India) Limited and a Member of Remuneration Committee of (a) Thomas Cook (India) Limited and (b) ICICI Lombard General Insurance Company Limited (Chairman).

Mr. M.K. Sharma is a Director, whose period of office is liable to determination by retirement of directors by rotation under the erstwhile applicable provisions of the Companies Act, 1956 and in terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. M.K. Sharma, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for

five consecutive years for a term up to March 31, 2019. A Notice under Section 160(1) of the Companies Act, 2013 has been received from a Member proposing Mr. M.K. Sharma as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. M.K. Sharma fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for his appointment as an Independent Director would be available for inspection without any fee by the Members at the Registered Office of the Company from 9 a.m. to 12 noon on any working day, excluding Sunday, till the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail his services as Independent Director. Accordingly, the Board commends the Resolution in relation to his appointment as an Independent Director, for the approval by the Members of the Company.

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

None of the Directors, Key Managerial Personnel of the Company and their relatives except Mr. M.K. Sharma, being appointee, is concerned or interested, financial or otherwise, in the Resolution set out at Item 7. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the stock exchanges.

#### **Item 8**

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

Presently, Mr. Adhiraj Sarin is the Chief Executive Officer of Louis Dreyfus Commodities India Private Limited. Prior to this, he was a Managing Director at Bunge India, a global major in agri-commodities. 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 (TII), a precision engineering company of the Murugappa Group in Chennai. Mr. Adhiraj 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 as Managing Director of Hind Lever Chemicals, the fertilizer and specialty chemicals subsidiary of HUL.

Mr. Adhiraj Sarin is a Director, whose period of office is liable to determination by retirement of directors by rotation under the erstwhile applicable provisions of the Companies Act, 1956 and in terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. Adhiraj Sarin, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for five consecutive years for a term up to March 31, 2019. A Notice under Section 160(1) of the Companies Act, 2013 has been received from a Member proposing Mr. Adhiraj Sarin as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. Adhiraj Sarin fulfills the conditions specified in the Companies Act, 2013 and the



Rules made there under for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for his appointment as an Independent Director would be available for inspection without any fee by the Members at the Registered Office of the Company from 9 a.m. to 12 noon on any working day, excluding Sunday, till the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail his services as Independent Director. Accordingly, the Board commends the Resolution in relation to his appointment as an Independent Director, for the approval by the Members of the Company.

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

None of the Directors, Key Managerial Personnel of the Company and their relatives except Mr. Adhiraj Sarin, being appointee, is concerned or interested, financial or otherwise, in the Resolution set out at Item 8. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the stock exchanges.

#### **Item 9**

Mr. Milind Sarwate was appointed as an Independent Director of the Company in December 2011. He holds a Bachelors Degree in Commerce. He is also 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.

He had taken over as Member-Strategy and CSR of Group Management Centre of the Rajesh Wadhawan Group in May 2014.

Mr. Milind Sarwate brings over 30 years of experience in finance, HR, strategic planning, corporate development and product supply, across Marico, Godrej and Sanofi Aventis. During 1996, he was one of the two managers selected for the CII-Fulbright Fellowship for Leadership in Management at the Carnegie Mellon University, USA. He has received the ICAI Award 2011 in CFO-FMCG category and the CNBC TV-18 Best Performing CFO Award-FMCG & Retail-2012. During March 2013, the CFO India magazine inducted Milind to the CFO India Hall of Fame.

Presently, he is serving on the Boards of Geometric Limited and Hindustan Polyamides & Fibers Limited. He is also Chairman of Audit Committee of Geometric Limited.

Mr. Milind Sarwate is a Director, whose period of office is liable to determination by retirement of directors by rotation under the erstwhile applicable provisions of the Companies Act, 1956 and in terms of Section 149 and other applicable provisions of the Companies Act, 2013, Mr. Milind Sarwate, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for five consecutive years for a term up to March 31, 2019. A Notice under Section 160(1) of the Companies Act, 2013 has been received from a Member proposing Mr. Milind Sarwate as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. Milind Sarwate fulfills the conditions specified in the Companies Act, 2013 and the Rules made there under for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for his appointment as an Independent Director would be available for inspection without any fee by the Members at the Registered Office of the Company from 9 a.m. to 12 noon on any working day, excluding Sunday, till the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail his services as Independent Director. Accordingly, the Board commends the Resolution in relation to his appointment as an Independent Director, for the approval by the Members of the Company.

He does not hold any shares in the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives except Mr. Milind Sarwate, being appointee, is concerned or interested, financial or otherwise, in the Resolution set out at Item 9. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the stock exchanges.

#### **Item 10**

The Board of Directors of the Company appointed Ms. Shiela Pallerne Vinczeller as an Additional Director with effect from March 31, 2014 and she holds office up to this Annual General Meeting pursuant to Section 161(1) of the Companies Act, 2013 and Article 129 of the Articles of Association of the Company.

A notice under Section 160(1) of the Companies Act, 2013 has been received from a Member of the Company signifying his intention to propose the name of Ms. Shiela Pallerne Vinczeller for appointment as a Director of the Company.

The Board considers that her association would be of immense benefit to the Company. Accordingly, the Board commends the Resolution as set out at Item 10 of the Notice for approval by the Members.

None of the Directors, Key Managerial Personnel of the Company and their relatives except Ms. Shiela Pallerne Vinczeller, being appointee, is concerned or interested, financial or otherwise, in the Resolution set out at Item 10.

#### **Items 11 & 12**

The Members of the Company at the 42nd Annual General Meeting held on September 30, 2006 passed Ordinary Resolutions under Sections 293 (1) (d) and 293 (1) (a) of the Companies Act, 1956 according to their consent to the Board of Directors for borrowing up to ₹1,000 crore and for creating charge on movable and/or immovable properties of the Company.

On implementation of the Companies Act, 2013, Sections 180(1)(c) and 180(1)(a) of the Act were made effective from September 12, 2013 which provide for approval by the Members by way of Special Resolutions as against Ordinary Resolutions under the Companies Act, 1956. The Ministry of Corporate Affairs has vide General Circular No. 04/2014



dated March 25, 2014 clarified that pursuant to the said Sections of the Act, companies would be required to pass a fresh Resolution by September 11, 2014. As such, it has become necessary to obtain fresh approvals of the Members in this regard by way of Special Resolutions.

Whilst no increase in the monetary limit is currently being proposed, Members' approval is being sought pursuant to Section 180 of the Companies Act, 2013 by way of a Special Resolution.

The proposed Resolutions set out at Items 11 & 12 are in the interest of the Company and the Board commends these Resolutions for approval by the Members.

None of the Directors, Key Managerial Personnel of the Company and their relatives is concerned or interested financial or otherwise in the Resolutions set out at Items 11 & 12.

#### **Item 13**

The Board of Directors at its Meeting held on April 22, 2014 approved the appointment of Messrs Narasimha Murthy & Co., Cost Accountants, Hyderabad as Cost Auditors of the Company for the financial year ending March 31, 2015 and also payment of remuneration of ₹5.85 lakhs per annum (excluding Service Tax) plus reimbursement of travelling and out-of-pocket expenses as recommended by the Audit Committee at its meeting held on April 21, 2014 in terms of provisions of Rule 14 (3) of the Companies (Audit and Auditors) Rules, 2014 subject to the ratification by the Members.

The Board commends this Resolution for the approval by the Members of the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise in the Resolution set out at Item 13.

## **II. INFORMATION REQUIRED UNDER THE LISTING AGREEMENT**

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

#### **Re-appointment of Mr. Thomas G. Kadien (Item 2)**

In terms of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013, effective from April 1, 2014, for the purpose of determining the directors liable to retire by rotation, the Independent Directors shall not be included in the total number of directors of the Company.

Mr. Thomas G. Kadien shall accordingly retire at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Thomas G. Kadien joined International Paper in 1978 and has held various sales and marketing positions in IP's Packaging businesses. He became Manufacturing Manager for Nicolet in 1991 and General Manager of Nicolet in 1992. He became the Vice President of Fine Papers and also Commercial Printing and Imaging Papers. In April 2003, he was appointed President of IP Europe, and was named a Senior Vice President of IP in May, 2004.

Mr. Thomas G. Kadien became Senior Vice President and President of XPDEX, International Paper's distribution business. He was named Senior Vice President, Consumer Packaging & IP Asia and India on January 1, 2010.

He was appointed as Director of the Company in 2011. Mr. Thomas G. Kadien is a director on the board of Sherwin Williams Company, US.

He does not hold any shares in the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives except Mr. Thomas G. Kadien, being appointee, is concerned or interested, financial or otherwise, in the Resolution set out at Item 2.

#### **Appointment of other Directors (Items 4 to 9)**

Please refer to the Explanatory Statement in respect of Special Business set out at Items 4 to 9 of the Notice of Annual General Meeting pursuant to Section 102 of the Companies Act, 2013 for details of M/s. M.S. Ramachandran, Praveen P. Kadle, M.K. Sharma, Adhiraj Sarin, Millind Sarwate and Ms. Ranjana Kumar.

#### **Appointment of Ms. Shiela Pallerne Vinczeller (Item 10)**

Ms. Shiela Pallerne Vinczeller was appointed as an Additional Director of the Company with effect from March 31, 2014. She is currently Vice President of Human Resources for International Paper-Talent Management.


She joined International Paper in 2006. Ms. Shiela Pallerne Vinczeller started her HR career with General Electric (GE) in Hungary and has held roles with increasing geographical scope within the EME region covering the entire manufacturing function, then staffing and organization development for the region and finally as HR Director for the EMEA region, including operations in India. Following GE, Ms. Shiela Pallerne Vinczeller joined the privately held Belgian industrial company: the Lhoist Group in a global HR role. Her responsibility included setting up a green-field operation in China. At International Paper she held the position of HR Director for the EMEA region and HR Director of Industrial Packaging Group (IPG) prior to her current role with Talent Management and Corporate Staff Groups. She is on the Board of GPAC, Germantown Performing Arts Centre.

Ms. Shiela Pallerne Vinczeller holds a bachelor's degree in Business Administration and a post-graduate degree in marketing communication from Budapest College of Business and Economics.

She does not hold any shares in the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives except Ms. Shiela Pallerne Vinczeller, being appointee, is concerned or interested, financial or otherwise, in the Resolution set out at Item 10.

**By Order of the Board  
For International Paper APPM Limited**



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

Registered Office:  
Rajahmundry - 533 105  
East Godavari District,  
Andhra Pradesh  
June 25, 2014

GAINING MOMENTUM

*50th  
Annual  
Report*

2014

INTERNATIONAL  PAPER

International Paper APPM Limited

**INTERNATIONAL PAPER APPM LIMITED IS A GROUP  
COMPANY OF INTERNATIONAL PAPER COMPANY, USA,  
A WORLD LEADER IN THE PAPER & 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.

## **Contents**

- 1** Celebrating 50 years
- 2** The journey of a thousand miles begins with one step.
- 3** Letter from the Chairman and Chief Executive Officer, International Paper
- 4** 50 years and going strong
- 6** A vibrant organization
- 8** A view from the Board
- 11** Reminiscences of Company veterans
- 12** 50th Annual Report 2014







THE JOURNEY OF A THOUSAND MILES BEGINS WITH ONE STEP.

- Lao Tzu

Our vision and commitment to excellence is the driving force that seamlessly powers our success.

Ever since our inception as a company, we have been sailing our way charting great distances and amassing vast experiences and wisdom. We have ridden the waves of change, braved challenging headwinds achieving improvement and success on our journey. Standing proud at the horizon of tomorrow, we embrace the challenges and opportunities to come knowing that our team will deliver a brighter future for our customers and shareholders. With core values that make us responsible corporate citizens, we are committed to doing the business the Right Way, while making a sustainable, measurable difference to the world in which we work and live.





Congratulations to everyone at International Paper APPM Limited, on their 50th Anniversary.

We acquired APPM in 2011 as part of International Paper's global strategy to invest in high-potential businesses in growing markets. Today, our dedicated team in India is helping us achieve International Paper's vision to be one of the most respected and successful companies in the world.

As we combine International Paper's 116 years of papermaking expertise, manufacturing excellence, safety culture and focus on sustainable and ethical business practices with International Paper APPM's local talent and

market knowledge, we're building the foundation for a growing and successful business where people, customers and operational excellence are the focus of everything we do.

Around the globe, International Paper is committed to doing the right things, the right way, for the right reasons – what we call the IP Way. This includes the way we operate our business, how we serve our customers and how we participate in the local communities where our facilities are located. We are proud of our IP APPM team for embracing the IP Way and for their many efforts to deliver economic, environmental and societal benefits in Andhra Pradesh and the surrounding regions.

50 years in business is an important milestone, one not many companies reach. Thank you to every IP APPM employee who contributes to our company's success today and assuring that our best days are ahead.

Happy 50th Anniversary!

A handwritten signature in black ink, appearing to read "John V. Faraci".

**John V. Faraci**

Chairman and Chief Executive Officer  
International Paper





## 50 years and going strong



W. MICHAEL AMICK JR. | EXECUTIVE CHAIRMAN

On the banks of the River Godavari at Rajahmundry, a retired forest officer in 1921 turned dream into reality as he started a small paper factory making 10 tons per day. The entity was called Carnatic Paper Mills which in 1964 was commissioned and incorporated as a new company: The Andhra Pradesh Paper Mills Limited. In October of 2011, International Paper acquired APPM and this year we celebrate the Golden Jubilee of our company: International Paper APPM Limited.

Started from modest beginnings, all of us can be justifiably proud of what is now better known as IP APPM. Fifty years may seem a long time, but in the life of a visionary company, it is a mere blink of an eye. With a good team in place, the business prospers and every stakeholder associated with it can be proud of the emerging success. All of them need to be complimented, for they have made it happen.

Over the decades, the organization has seen improvement and a measured growth in capacity, revenues and market position. Today, IP APPM stands as an integrated vibrant pulp and paper manufacturing company respected for high quality products and services delivered by some of the best technicians and professionals in the business.

We are very excited that IP APPM is part of the greater International Paper family and know that growth and success are in large part the result of the commitment, entrepreneurial flair and remarkable spirit of the Company's employees. I am privileged to be a part of this IP APPM team since July 2012 and am convinced that we





have the most talented employees and a robust organization that is transforming by focusing on our Customers, People, and Operational Excellence. Our team has raised their benchmark to become increasingly competitive with the quality of our products and services built on a foundation of reliable, safe, efficient operations.

Our team has a history of making visionary moves to see beyond today and plan for the needs of tomorrow. In 1989, IP APPM embarked upon a robust Farm Forestry initiative to improve the productivity of our forests, increase farmer economics, and provide a more secure long term supply to this vibrant industry. With the distribution made by IP APPM over the last 25 years, one billion saplings were planted by October 2012 and now stands at 1.25 billion this year. This Company was also the first to launch Elemental Chlorine Free paper over a decade ago, the first of its kind in India.

Our efforts and activities are focused on delivering superior value that delights our customers in a safe, cost effective manner that pleases our shareowners. I am gratified that IP APPM produces the quality our customers want and stays dedicated to delivering results through operational excellence. The talented and highly motivated employees of this company are equally dedicated to the betterment of the communities through good environmental stewardship and personal involvement in many social and charitable activities.

We are working in a competitive and demanding market. Our activities may seem complex, but they are being

made simple with a process driven and people oriented culture with responsibility, respect and attention to detail. Together, we have a dream, for now and the next 50 years.

IP APPM is on the move, driving results, gaining strength and building a future. We shall strive to make this company the most admired and respected company in our industry. We are on a continuous path of improvement that will deliver increasing value to our customers and shareholders in an enriching and rewarding environment for our employees.

My compliments to everyone associated with IP APPM. The course for a successful future is set.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "W. Michael Amick Jr." with a stylized flourish at the end.

**W. Michael Amick Jr.**  
Executive Chairman



## A vibrant organization



RAMPRAVEEN SWAMINATHAN | MANAGING DIRECTOR & CEO

Its time to celebrate. We have an exciting organization that has stood the test of 50 years; an organization that has the respect of the customers, employees and local people for the work they have done; an organization that is vibrant and is on a growth trajectory; More significantly, an organization that is committed to contributing part of its returns to encourage the growth and development of the wider community.

I am privileged to be associated with IP APPM since early 2012 and feel proud to work along with some of the finest professionals in the paper industry globally, who foster a deep culture of accountability, integrity, meritocracy and excellence and strive to achieve sustainable returns for our stakeholders. What I see gives me confidence that this Company will continue to gain strength on its way to another fifty years to build significant brands and a successful business. The employees maintain a clear focus on core competence, customer fulfillment, commercial discipline and consistent value creation.

IP APPM can do well in the future given the potential of the market which has one of the lowest per capita







consumption of paper, in a society that has high aspiration levels. We see a promising future and have strategically repositioned ourselves over the past two years to enhance volumes, be cost competitive, and be recognized as one of the highest quality producer of paper in the country. As a whole, Team IP APPM is motivated to institutionalize superior business leadership, financial discipline, operational excellence and sound corporate governance.

I was not around to experience most of the first fifty years of this exciting company. I hope however, to be around to contribute to create long-term value for our stakeholders. We shall continue to be consistent with the IP Way, committed to total quality, with respect for people, both inside and the community at large. We are working hard to have a methodical approach that makes environmental protection and safety an integral part of the manufacturing business. We are drawing on over a century's experience of International Paper in working in the paper industry to strengthen all our processes.

This Company may not be the biggest in the industry, but we remain committed to become the best and the most admired. Our focus is on reliability and predictability, close

alignment with the needs of our customers, importance of our employees and commitment to the community. For us at IP APPM, sustainability is the basis of our stability and success.

We shall continue to deliver results that meet expectations and reciprocate the trust of all whom we deal with. I am confident every stakeholder of IP APPM can look forward to the next fifty years.

With warm regards,

A handwritten signature in dark ink, appearing to read 'Rampraveen Swaminathan'.

**Rampraveen Swaminathan**  
Managing Director & CEO

# A view from the Board

The Board has been shaping the future of the Company. The Directors remain anchored in investing in the opportunities ahead, in strengthening our people and systems, and in supporting the wider communities. They have been inspiring the management to forge a partnership culture with a trusteeship mindset among our people.

Integral to the ethos of the Company is our value system that puts the institution above self, emphasizes long-term over the short-term, and aligns employee interests with long-term stakeholder value. The Board pursues the goal of responsible and transparent corporate governance and control with a view to create sustainable value and consistently present true and fair view of the operations of our Company.

IP APPM has an enviable Board of Directors with six of the finest professionals from the corporate world as non-executive, independent directors. They concern themselves with the Company's interests, engage in intensive dialogue to examine all options that lead to dynamic development, introduce topics of fundamental importance, assess the corporate risks, forge decisions that adhere to well-calculated and balanced risk, and secure the long-term sustainability of the Company.



**Ms. Ranjana Kumar**, Non-Executive, Independent Director has seen the Company closely. From her perspective, its not just the business aspect, but what is admirable is the sensitivity that the Company demonstrates to understand the work environment, to improve the life of the workers and bring in a great deal of professionalism in policies, systems, processes, and in the dealings with the external environment.

There are several aspects that epitomize the Company according to Ms. Ranjana Kumar: the importance to brand building; the investment in product quality; the professional approach to marketing and manufacturing; the impetus given to growing the market share; the measured steps towards taking up opportunities, challenges and risks; importance to enhancing investment in machinery to improve product quality; the care for employee satisfaction; the concern for transparency and accountability; and so on.



"We have now entered our third year since purchasing International Paper APPM Limited, and I feel good about the progress we have made. Our safety performance is significantly better, and statistically speaking, as good as anywhere around the company. Our talent is much deeper than before. We have hired many new people and have dramatically improved the diversity and engagement of our team. Production and revenue are both heading in the right direction and we have better products in the market and better service to our customers. Many thanks to Mike Amick and Ram, the IP Leaders and team members in India, for the great progress. These are exciting times in India, for IP and for our IP APPM team."

**Mr. Thomas G. Kadien** | Non-Executive Director

**Mr. M. K. Sharma**, Non-Executive, Independent Director is excited by the best practices adopted by the Company to bring technology and know-how and have them assimilated into Indian conditions; the training provided by 'subject matter experts' on pulp, chemical usage, waste reduction to create an outstanding knowledge management to drive competencies; and the deep rooted commitment to the community.

In fact, IP strives to take ownership of the neighborhood and integrate with the society; the pioneering work that is being done in farm forestry to create productive assets for the farmers on their marginal lands; the relentless focus on safety, lost time and the need to reduce environmental footprint; the deep understanding of the market and the investment being made in product mix and customer satisfaction; and several other initiatives.

The Company is fifty years old, but the excitement and vibrancy is of a young organization that is charting a planned future.

The best is yet to come according to **Mr. Praveen Kadle**, Non-Executive, Independent Director. IP APPM team has worked hard on asset utilization, cost optimization, operational efficiencies, and working capital management; significantly reduced the carbon footprint; brought in best practices in all processes; and raised the benchmarks on transparency, accountability and corporate governance.

International Paper has transformed this Company into a high performance company. He is confident that the Company has been galvanized for start of another fifty years.



"I have recently been appointed to the APPM BoD and it is a role that I deeply appreciate, both from a professional and personal perspective. International Paper is a big company with a rich history and forward looking mindset. Our presence in India is important and it is very exciting to be part of this new chapter as we grow and develop our organization here. IP's well known commitment to people development excellence will no doubt contribute to the success of the business now and in the future. On a personal note, - as I was born here and raised in India -, I have a unique appreciation for the country, its diverse history and culture and most of all its people. It is wonderful to reconnect after all these years. "

**Ms. Shiela P. Vinczeller** | Non-Executive Director





There is a new sense of ethics at IP APPM, says **Mr. Milind Sarwate**, Non-Executive, Independent Director. The US based parent has been a game changer. They have introduced an organized way of doing business, earnestly streamlined the functions and processes, brought in expertise to improve productivity and have targeted long-term return.

The focus is on people, on organizational excellence, on cost of goods sold rather than on topline. The Company is leveraged to do what is right, on integrity, on having the right people, on domain knowledge and be a company of choice.



There is a remarkable transformation in the past two years, says **Mr. M. S. Ramachandran**, Non-Executive, Independent Director. There is a cultural shift in terms of management, about compliance standards, in creating organizational enthusiasm and in doing business the IP way. The Company is being aligned to global operating standards and creating an ethos of good governance. There is a calibrated way to expand capacity, increase volume, cost compression and improving earnings. IP APPM is being readied for longer-term growth.

There is a new confidence in the Company by inspiring people to deliver to their potential. IP APPM is at a take-off stage says Mr. Ramachandran and will do much better than it ever did in the first fifty years.



**Mr. Adhiraj Sarin**, Non-Executive, Independent Director visualizes sustained improvement in the future, since in several ways, this Company has seen de-bottlenecking: in capacity creation, in operational excellence, in governance standards and in making the Company a well-oiled machine. International Paper has inspired the people with ethical and compliance standards, with the best benchmarks in the world. There is value addition through the Company, end-to-end.

This fifty year old Company is poised for remarkable change with several interventions, says Mr. Sarin, such as people policies, their training, performance appraisal standards, accountability levels, safety norms and the impact being made on the environment, technology process knowledge. He believes this Company has had a culture change and has raised the bar for performance standards.

# Reminiscences of Company veterans



Our quality was well-accepted by the market. Every APPM employee was held in high esteem and we were always a preferred employer. Competitors of APPM gave preference to our employees

because at any time, we had the best technical skills; always, we have been considered a good training ground by our competitors!

**- Mr. K. M. Kasetty**  
General Manager, Kadiyam Unit



Employees have had good relations with each other and hence, several suggestions are given and taken. Employees themselves have shown interest in raising the quality of products. Even outside the factory premises, employees have

volunteered to do community work, on behalf the Company. A children's park was created at Annavaram, contributed by the Company and employees participated as volunteers.

**- Mr. J. B. Prasad**  
Paper Machine Process



APPM always carried credibility. The Company was respected by Rajahmundry town for being a good citizen and the employees benefited by this good image. We did plenty for society such as donations to schools,

equipment purchase assistance for hospitals, scholarships for poor children.

**- Mr. S. V. V. Reddy**  
Assistant Manager, R&D

Product quality has improved over the past two years; In a commodity market, Andhra Paper is sold by brand name; they offer tailor-made products for specific order fulfillment; very professional in their approach; deliver on their commitments; communication is always complete.

**- Mr. Rajeev Baldwa**  
Shree Santosh Marketing, Distributor

We have always been privileged to have strong technical staff, capable of making varieties of paper. The middle management has been competent and committed. The diversity of our employees has been a factor in our commercial success.

No one is disadvantaged because of religious beliefs, gender, origins, language, age or for any reason.

APPM employees are respected outside the mill, since we have gone the extra mile to do social work representing the Company. We even renovated a crematorium and added facilities such as running water, seating arrangements and beautified it with plants. The place now looks like a park!

**- Mr. S.S.N. Dora**  
Human Resources

People looked forward to working days, to return to their shift duties after the weekly off-days. Seniors listened to us and respected our opinions; a shop floor worker was heard and his suggestions taken.

There has been mutual respect, between management and employees, especially since 1987.

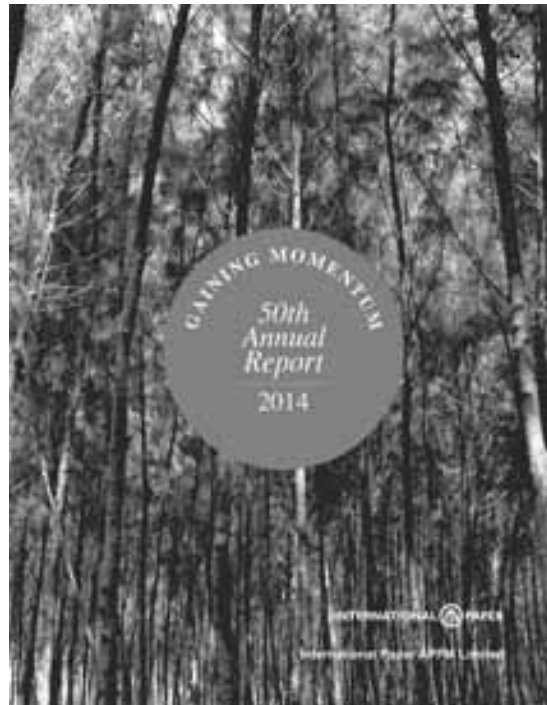
**- Mr. V. Gangadhar**  
Stock Preparation Department

In the paper industry, Andhra Paper is considered dependable. The Company staff is interactive, give flawless quality, and execute all orders in the time that we have ordered.

**- Mr. R. G. Prasad, Pancom Marketing**  
Distributor

Very clean and professional approach to business; best in the paper industry in the country in almost all aspects; Company has made changes to improve their credibility.

**- Mr. Sridhar Bang**  
Sampath Kumar Bang, Distributor



## 50th Annual Report 2014

### Contents

<b>13</b>	Board of Directors	<b>43</b>	Management Discussion & Analysis
<b>14</b>	Letter from the Executive Chairman	<b>59</b>	Report on Corporate Governance
<b>18</b>	Letter from the Managing Director & CEO	<b>68</b>	Independent Auditors' Report
<b>22</b>	Responsible management	<b>74</b>	Balance Sheet
<b>26</b>	Added to the value chain	<b>75</b>	Statement of Profit and Loss
<b>28</b>	Talent Management & Development	<b>76</b>	Cash Flow Statement
<b>30</b>	Societal commitment	<b>78</b>	Notes forming part of the Financial Statements
<b>33</b>	Corporate Information	<b>103</b>	Proxy form
<b>34</b>	Directors' Report	<b>IBC</b>	Attendance Slip





## BOARD OF DIRECTORS

*Sitting (Left to right):* Ms. Ranjana Kumar, Mr. W. Michael Amick Jr., Ms. Shiela P. Vinczeller.

*Standing (Left to right):* Mr. Praveen P. Kadle, Mr. Adhiraj Sarin, Mr. Thomas G. Kadien, Mr. Michael Baymiller, Mr. M.S. Ramachandran, Mr. Milind Sarwate, Mr. Rampraveen Swaminathan, Mr. Kenneth P. Huelskamp, Mr. M.K. Sharma.

# Gaining Momentum

## LETTER FROM THE EXECUTIVE CHAIRMAN



W. MICHAEL AMICK JR. | EXECUTIVE CHAIRMAN

*Dear Shareowners,*

During 2013-14, we enhanced the growth profile of the Company, improved the efficiency of our operations and delivered improved financial performance. I am pleased that we grew our organizational capabilities through investment in our people, introduced new products, got closer to our markets and raised our safety standards and performance. The focus throughout the year was on people development, customer contact, operational excellence and sustainable solutions.

With a deeper understanding of our markets and customer applications, we invested our efforts, on transforming potential into opportunities, for our customers. We knew what they need, and gave them what they want, when they want. Overall, we improved the quality of our products, launched high-end copier grades and added to our reliability factor with every customer.

As with any operating year, last year presented some unique collective challenges. We experienced further deceleration in GDP growth together with inflationary expansion. In addition, we had continued cost pressures on account of raw material supplies within an overall soft economic environment. The team at IP APPM stood up well to external pressures and raised the operating efficiencies, worked on cost compression and created a platform to take advantage of the growing demand in the coming years.

We must continue to make significant progress in those areas that we can impact and control: I am pleased that







The efforts of the year made an impact. The year ended with a momentum that will lead us into the new financial year as a vibrant, dynamic and competitive company with an improved platform to drive future profitable growth.



our IP APPM team did just that! IP APPM today therefore is better than what it was a year ago, and far better equipped to meet the excitement of the future.

We have made comprehensive efforts to establish the Company in new growth markets, introduced value added products that have the potential to create a niche in the market, enhanced the level of efficiencies, created a safety culture and increased the level of employee engagement. This was a year of significant progress in IP APPM's journey to produce and deliver excellence in paper manufacturing to meet customer demands. Both sales and margins were improved through the year, quarter-over-quarter. Yet, I would hasten to add that we have made only the beginning.

The efforts of the year made an impact. The year ended with a momentum that will lead us into the new financial year as a vibrant, dynamic and competitive company with an improved platform to drive future profitable growth. In 2014-15, our three key corporate objectives would build on the momentum gained so far.

The first strategic objective is to optimize and improve our operations, providing capacity and revenue growth to meet the expanding needs of our customers and markets. The second priority is to focus on achieving sustainable, best-in-class product quality while driving continuous improvement through all of our processes. We shall strive for exceptional customer experience and, in their eyes, be known as one of the easiest companies with which to do business. We can achieve all these only when we stay

focused on our third objective; to increase employee engagement by creating a safe, challenging work environment where ALL team members have an opportunity to contribute to their full potential and are valued for their opinion.

Across the globe, at International Paper, people are the most valuable asset and primary driver of our business. It is their relentless pursuit of excellence in all that they do, to serve the customers, to offer the best in products and services, which makes for our superior competitive strategy. Here at IP APPM, we have invested in our people to ensure that we have the appropriate talent with the right tools and skills to take the Company forward. Our people are empowered to speak their mind, held accountable for their performance to help create an environment that facilitates individual and organizational growth. As a result of the increasing process discipline and focus on results based performance, each day there is a growing confidence in our ability to meet the challenges ahead. The team has charted a clear improvement strategy, has ensured that we have products that are in demand and is confident of execution capabilities.

In line with International Paper's best practices, the Company insists on creating and maintaining a safe, healthy work environment. We have laid a foundation for value based culture that would help carry us forward to a higher level of success. Results matter. But we have also made it clear to our people that production and profits can never be ahead of safety or at the cost of the environment.

“

Our focus on operational excellence, in particular, emphasizes the efficient use of raw materials and process chemicals, enhancing material efficiency, conserving energy and water, minimizing emissions and consciously reducing waste throughout our operations.

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Safety is a core value in the Company: simply stated, priorities must shift over time as the challenges and circumstances dictate, but **VALUES NEVER CHANGE!** Our team members are keenly aware that their safety and the safety of the team is everyone's responsibility. I am proud that we have significantly improved the personal accountability and safety standards at IP APPM and equally proud that each and every team member knows the job is not yet done.

As an organization, we respect the environment and have a never ending process of continuous improvement. For us, environmental conservation is an investment in the future. Our focus on operational excellence, in particular, emphasizes the efficient use of raw materials and process chemicals, enhancing material efficiency, conserving energy and water, minimizing emissions and consciously reducing waste throughout our operations.

We strive to add value to the communities and neighborhoods where we live and work to make a meaningful difference to the lives of people. IP India Foundation, which we have set up, has been initiating, encouraging and supporting various projects directly or through employee engagement programs. This is not only achieved by imparting skill development and training programs, but also by making financial support available in terms of grants, subsidies etc. The Foundation encourages and supports non-conventional & renewable sources of energy systems, including rural electrification projects. It is also actively involved in providing assistance during relief & rehabilitation of the populace affected by natural calamities.

The Foundation has been promoting & propagating farm forestry programs with emphasis on conserving natural resources, creating healthier environment and massive plantations on marginal & degraded farm lands. This helps in sustaining needs of farmers by providing them with the means of generating indirect employment and uplifting the socio-economic conditions of the villagers and tribal communities.

This Company has undergone tremendous change and evolution over the past 50 years. We have reinforced the existing solid foundation and we should be excited about our next 50 years. We have done well over the past fifty years. What we have achieved gives us motivation. But what needs done, inspires us. We have created a momentum in the Company that will add traction as we move ahead and institutionalize success over the next fifty years. We are fifty years old, but I believe we are only just getting started.

I am grateful for the commitment and support of our team, the APPM Board of Directors, our customers and the communities where we operate. They give me confidence to look to the future.

Yours sincerely,



**W. Michael Amick Jr.**  
Executive Chairman





- Introduced value added products
  - Enhanced level of efficiencies
  - Created a safety culture
  - Increased employee engagement
- 



- Optimizing operations to enhance revenue
  - Achieving best-in-class product quality
  - Inspiring employees to contribute to potential
- 



- Grow volumes, revenues & margins
  - Improve market share
  - Expand offerings in W&P segment
  - Be the low cost producer in the industry
-

# Building the Foundation

## LETTER FROM THE MANAGING DIRECTOR & CEO



RAMPRAVEEN SWAMINATHAN | MANAGING DIRECTOR & CEO

*Dear Shareowners and Employees,*

In 2013-14, we continued on our five year journey of building the foundation for the future. We continued to meet our performance goals to position IP APPM as a leading supplier of premium grade products in the Indian market and enhance our competitive edge. It was a year of proving and strengthening our strategy of growth, setting long-term goals for success, giving priority for people over systems and forging ahead despite challenging times.

We pursued our corporate goal to be the most reliable manufacturer and brought in operational excellence to the table to improve productivity, adopted better practices around safety, environment, people management and customer care, and all that the 115 year old IP has stood for. We created a performance culture.

The macros of the economy were daunting. Despite the prevailing external environment, our team managed well to produce 210,584 MT in a 12-month financial year as against 258,202 MT in the previous 15-month period; sold 208,089 MT during 12-months ending March 2014 as compared to 279,093 MT in the 15-months ended March 2013; earned a better Net Sales Realization per MT over the previous period due to upward price revisions across all grades and a change in the product mix; recorded EBIDTA of ₹73.98 crore for the year under review as against ₹138.77 crore in the previous 15-month period; and, closed the year with a loss of ₹41.61 crore primarily







We pursued our corporate goal to be the most reliable manufacturer and brought in operational excellence to the table to improve productivity, adopted better practices around safety, environment, people management and customer care, and all that the 115 year old IP has stood for.



due to longer outage at Unit: Rajahmundry, rupee depreciation, adverse fiber price and product mix and delay in consents.

Several areas were prioritized in the year:

- Become the low cost producer;
- Strive for customer support excellence;
- Focus on safety, environment and productivity & create world class operations;
- Optimize footprint to grow in printing and writing segment.

Given the challenges in raw material sourcing and cost trends, it was imperative that we managed to reach out to farmers and improve on our procurement, stay competitive and ensure a pipeline for today and tomorrow. We went further in our extension work to encourage farmers to plant high yielding varieties by distributing larger quantum of saplings and extending the touch points to support and guide them to plant better.

Simultaneously, we worked to improve process reliability and debottleneck the operations; increased the speed in paper making machine, reduced coal consumption per ton of product, lowered energy consumption and reduced finishing losses. We improved the overall machine efficiencies (OME) and reliability levels, while continuously raising the safety standards at both the production units.

We have invested about ₹120 crore in a sheeter unit during the year. It is up and running and we have made an impact on the high-end copier market. We have also managed to improve paper and pulp productivity, technology, and in creating an environment where our employees are able to achieve things they are capable of doing.

As in the previous year, we put a premium on safety culture. Everyone became accountable for safety of self and each other. Awareness level was raised by making safety a core issue for everyone, whether employees, contractors or visitors. We successfully completed the 2013 annual outage with zero incident. In just one financial year, we brought down Total Incident Rate (TIR) by 47% over the previous year. During the same period, we managed to lower Lost Work Incident Rate (LWIR) by 50%. However dramatic this achievement may seem, our aim is to strive for zero incident, and we are at it.

Similarly, we take our responsibility to protect the environment very seriously. There is constant attention to reduce environmental impact by upgrading our equipments and processes. Our eco-efficient processes have helped cut costs associated with materials, chemicals, energy, water, emissions and their disposal. Our efforts at raising the operating efficiencies have helped reduce material usage and to lower the cost of production. For instance, we managed to reduce power cost by 150 basis points over the previous financial period.

“

Our aim is to improve market share and maintain strong profit margins and we are already gaining traction, in the first quarter of the new financial year.

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We are constantly striving to be the lowest cost producer in the industry, to excel in customer support, improve material efficiency, manage world-class operations while staying focused on safety, environment and productivity, to expand our offerings in the writing and printing segments and overall be the best resource in the paper industry.

Today, we have excellent bandwidth and quality of management and employees to deliver results. We have invested adequately in people, since we are entirely dependent on the strength of the talent base. We encourage fast decision making, continuous learning and customer focus as part of our need to grow sustainably. We have a team that we all can be proud of and I am grateful for their commitment and dedication.

It is important to IP APPM's future that employees are continually motivated and inspired. It is vital to the organization's effectiveness and long-term success. Motivation and inspiration is achieved by allowing individuals a great deal of freedom to set tasks, perform to their potential and create new paradigm. We are clear in our organizational goal. We want to be the best-in-class in whatever we do.

Looking ahead, I am sure, we can do better. We need to grow our volumes, revenues, margins, bottom line and

generate stronger returns. Our priority on safety and environment will continue, even as we are raising our accountability throughout the Company to achieve best-in-class operations. The message throughout the organization is clear: we shall work for zero incident culture.

It is with confidence and enthusiasm that we approach the task of building for the future. There is resurgence in the economy. Growth in demand for our products, driven by underlying expansion in population, literacy and aspiration levels of people, improvement in per capita incomes will translate into rising demand for paper.

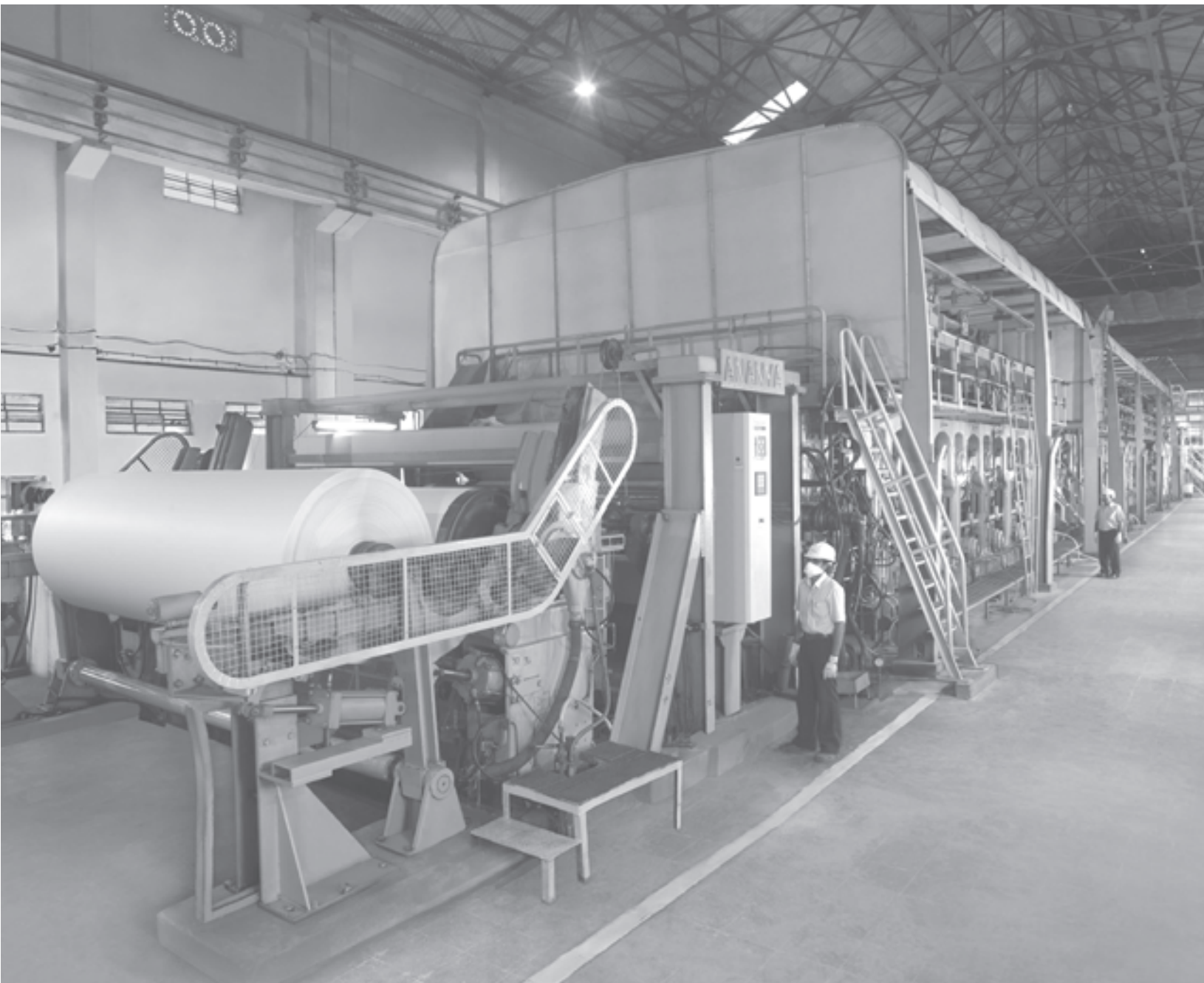
We see growth opportunities and have clear goals. Our aim is to improve market share and maintain strong profit margins and we are already gaining traction, in the first quarter of the new financial year. We intend to seize the opportunities and grow our business. Confidence in our organizational strengths makes us optimistic for 2014-15.

With warm regards,



**Rampraveen Swaminathan**  
Managing Director & CEO





# Responsible management

**WE CONTINUALLY REVIEW OUR OPERATIONAL PROCESSES TO STRENGTHEN OUR SAFETY TRACK RECORD TO ERADICATE THE CAUSES OF INCIDENTS, IN THE BELIEF THAT EVERY INCIDENT IS PREVENTABLE. THE AIM IS TO ACHIEVE AND MAINTAIN THE HIGHEST STANDARDS OF HEALTH AND SAFETY PERFORMANCE AT OUR OPERATIONS.**

## **Safety**

Through the financial year 2013-14, we had a continued focus on safety culture with specific attention to:

- Behavioral patterns
- Leadership engagement
- Process
- Equipment
- PPE awareness and compliance

The mill safety leadership team takes clear responsibility for all mill wide safety efforts and works cohesively as a team to address and resolve safety and health concerns. The leadership team engages all employees in safety efforts, tracks performance, coordinates mill recognition systems and systematically communicates with all employees. This level of attention to detail is extended to safety performance and compliance standards and procedures of contractors. In fact, the Company makes no distinction between the safety of our employees and that of our contractors.

A few specific action points initiated and achieved were as follows:

- Successfully completed 2013 annual outage with zero incidents;
- LIFE project plan implemented;
- Implemented health and safety accountability standards;

- Implemented performance standards;
- Written procedures developed; all works are being performed under the umbrella of the mill's Safety Work Permit Scheme;
- Involved all employees in safety suggestions competition during National Safety Day celebrations;
- Conducted refresher training programs for all employees;
- Involved line management in safety by initiating leadership walk through inspections, cross functional audits, safety committee meetings, etc;
- Conducted training programs once a month to all senior staff on LIFE focusing areas/standards;
- Conducted tools, tackles, material handling equipments and pressure vessels testing and inspection by competent persons;
- Improved positive safety culture;
- Conducted safety audits with external experts.

Accident reduction is strengthened through our Life-Changing Injury and Fatality Elimination (LIFE) program that we successfully completed in 2013. This program fosters safety improvements and sets even stronger standard of performance. By evaluating and eliminating hazards and through LIFE learnings, we achieved dramatic improvement in our performance in 2013-14. The two key performance indicators Total Incident Rate (TIR) and Lost Work Incident Rate (LWIR) were brought down





during the year over the previous period. We brought down Total Incident Rate (TIR) by 47% (from 0.56 to 0.30) and Lost Work Incident Rate (LWIR) by 50% (from 0.34 to 0.17).

The culture we seek to create at IP APPM is one of continuous improvement. We are also conscious that cultural and educational issues tend to influence employees' perception of safety, which entails that we need to find rigorous ways of addressing underlying causes and inculcating a safety culture. One thing is certain. We need to be alert all the time. Creating and maintaining safety record is no accident.

### Sustainability

Pulp and paper manufacturing, by its very nature, present complex sustainability challenges. Our processes are energy and water intensive. Nevertheless, despite the complexities, paper manufacturing can be conducted in a way that is economically, socially and environmentally sustainable over the long run.

The Company recognizes its responsibility to protect the environment by conserving usage of natural resources, minimizing waste, recycling chemicals, water and other resources and by lowering emissions in to the water, soil and air. Raising the efficiency in operations would inevitably help lower waste generation and carbon emissions and more important, compress costs. The sustainability strategy is hence integrated into our day-to-day practices, business planning, risk management and cost control procedures. In effect, sustainability practices help us deliver the full potential on our performance standards.

For instance, we at IP APPM, utilize energy efficient production processes and updated technologies to

produce pulp and paper. We use the lignin (high calorific-value black liquor), which constitutes approximately half of the fiber that we consume, to fire the boiler to generate steam and power. Wood bark & chip dust is fed to coal fired boilers to conserve coal. There is hence, considerable reduction in use of fossil fuel in the manufacturing process.

Every year, we have been progressively reducing material consumption. Recovery percentage of the chemicals used is as high as 97.5% i.e. only 2.5% needs to be added afresh to a new operation. Water per ton of product produced in 2013-14 was reduced by 7.35% as compared to the previous financial period.

With our aim to achieve the Company's environmental targets, a few of the initiatives taken up at the production facilities in 2013-14 are as follows:

- Process & flue gas stacks are provided with electrostatic precipitators to purify gaseous emissions before release into the atmosphere. These stacks are for coal fired boilers, rotary lime kilns and recovery boilers. On-line continuous stack emission monitoring equipment has been installed and emission parameters such as suspended particulate matter, sulfur dioxide (SO<sub>2</sub>) & NO<sub>x</sub> are being recorded and transparently connected to the website of the regulatory authorities.
- Fugitive emissions such as non condensable gases are incinerated in furnace such as recovery boilers/ rotary lime kilns at elevated temperatures to nullify the pollution and odor.
- Critical pollution indicating parameters, such as COD & BOD for final treated effluent, is meeting stipulated norms prescribed by regulatory agencies. Effluent



2012-13: January 2012 to March 2013 | 2013-14: April 2013 to March 2014

“

The sustainability strategy is integrated into our day-to-day practices, business planning, risk management and cost control procedures.

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treatment plant performance increased in 2013-14 in respect of COD & BOD when compared to 2012-13. There is a reduction of COD by 8% and BOD by 23% compared to 2012-13. Waste water discharges are monitored and the release concentration to environment is thereby reduced.

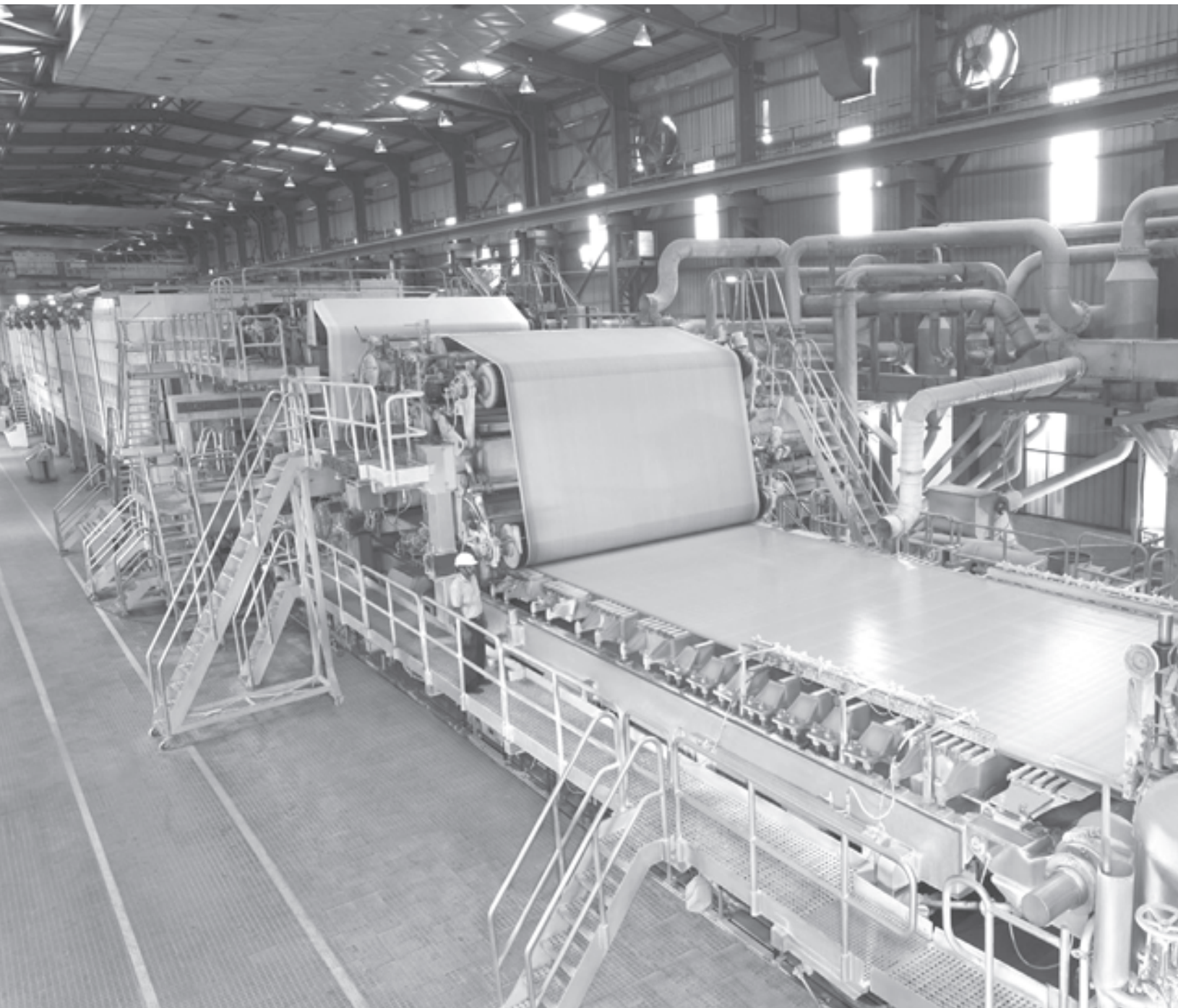
- Sewage treatment plant of 1,200 KLD capacity has been commissioned for the neighboring Mallayapet township, in order to treat the domestic waste waters before letting into common municipal drains as part of our corporate social responsibility.
- New drinking water treatment plant of 2 MGD capacity commissioned with enhanced technology by providing

activated carbon filters and sand media filters.

- Eliminated hazardous & risky gases, elemental chlorine usage with liquid hypo for disinfection of drinking water.
- Biological process treatment unit enhanced by construction and commissioning of additional capacity aeration tank with 616 diffusers.
- The environmental laboratory was renovated to carry out day-to-day monitoring of various pollutants.
- High efficiency, maintenance free, oil free turbo blower installed for new aeration tank instead of lobe blowers. It is the first of its kind ETP application in use in India.

As a process, we evaluate and minimize risks systematically by responsible business practices. In particular, we focus on the environmental impact of our production process to ensure that our operations are always in harmony with nature.

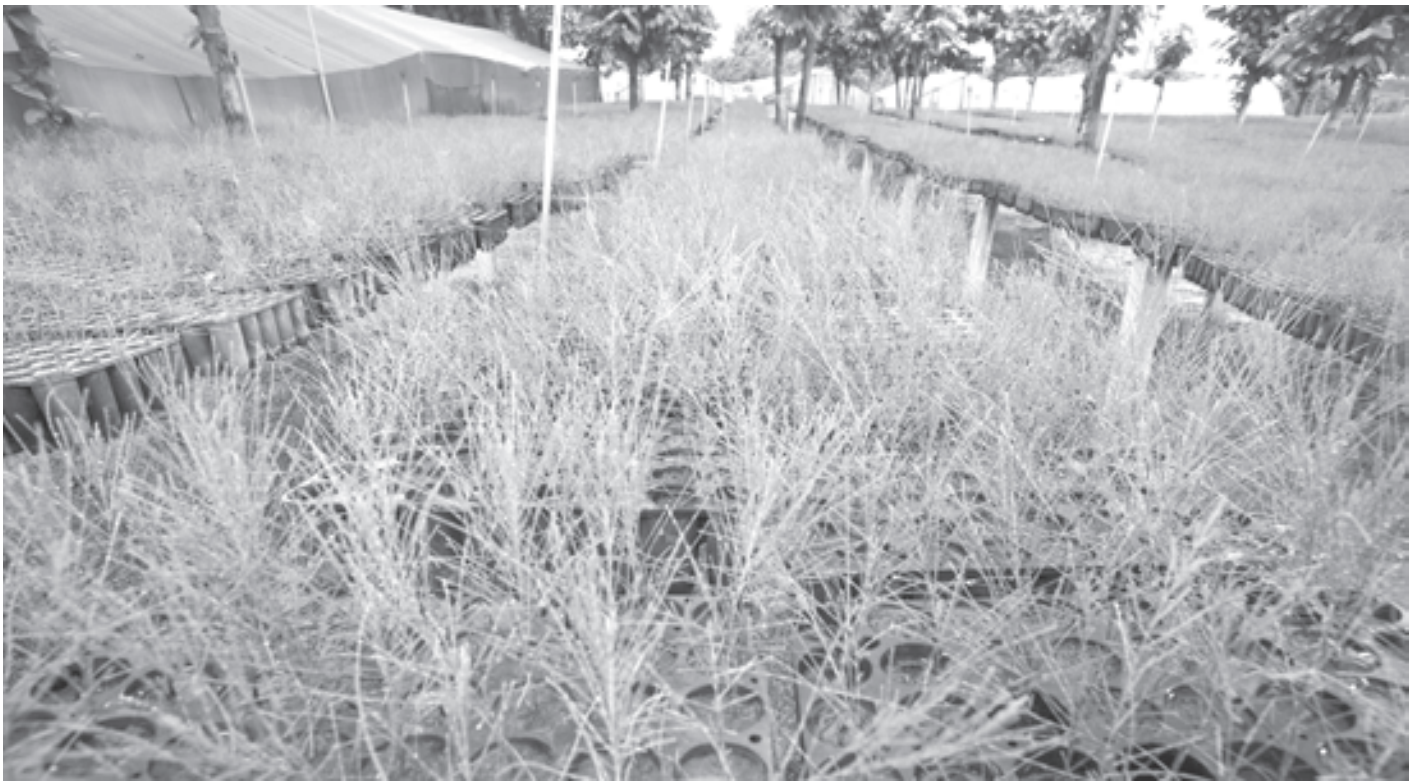






# Added to the value chain

**IP APPM IS DEVELOPING HIGH YIELDING, GENETICALLY SUPERIOR CLONES OF CASAURINA AND EUCALYPTUS TO MAXIMIZE PLANTATION PRODUCTIVITY AND REVENUE GENERATION FOR THE FARMERS.**



For an integrated pulp & paper manufacturing company, fiber is at the beginning of the value chain. Wood is the primary raw material and yet all responsible paper companies encourage farmers to plant trees as part of their sustainable approach towards humankind.

The Company recognized that the pulp and paper industry would face challenges in the sourcing of fibrous raw materials and embarked in 1989 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.

This program provides a means of survival for the small

farmers, and improves the socio-economic status of their communities. More significant, since wood can be used only after it is adequately grown for around 4 years, there are far more trees planted than what are used by the paper industry. The industry has been at the vanguard to promote farm forestry and sustainability.

2013-14 was characterized by a perceptible scarcity of wood. There were supply bottlenecks and increasing competition that put pressure on costs. IP APPM with its concerted efforts, in a stiff competitive environment, was able to meet 100% requirement of pulpwood from farmers and that too primarily within 350 kms radius of the production unit at Rajahmundry in Andhra Pradesh. Approximately 93% of the requirement of pulpwood used was the fast-growing Subabul, Casaurina and Eucalyptus.





### During 2013-14

204.8

Million quality saplings distributed

28,019

Hectares plantation area covered

IP APPM distributed 204.8 million quality saplings (including 5.3 million clonal saplings) during the year, which covers a plantation area of 28,019 hectares, as against development and distribution of 161.30 million seedlings covering an extent of 22,975 hectares in the previous 2012 planting year. Spread over 184,000 hectares, IP APPM has created a pool of about 91.75 million man-days especially in rural areas so far, since 1989.

Research on clonal development has resulted in introduction of high yielding, disease resistant clones that are versatile to a wide variety of agro-climatic conditions in inland and coastal areas. The beneficiaries are provided planting material at extremely subsidized rates. The scheme has been widely accepted and adopted by the rural people and is now held as the benchmark in plantation activities.

IP APPM is developing high yielding, genetically superior clones of Casuarina and Eucalyptus to maximize plantation productivity and revenue generation for the farmers. The 'wastelands' of the past have become the means to employment and asset creation for the farmers while improving forest and ecological systems.

### Since 1989

91.75

Million man-days created

184,000

Hectares plantation area covered

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 visible improvement in moisture conservation.

Keeping in view the growing need for fiber, additional thrust is being given to enhancing area under farm forestry and selecting second generation Casuarina clones, which will help the farmers to achieve higher yield per acre than the existing Casuarina clones, ultimately resulting in better returns to farmers and additional fiber from the same area.

Research and Development has been taken at a wider perspective through a collaborative project with Institute of Forest Genetic & Tree Breeding, Coimbatore, Tamilnadu. We are introducing more farmer-friendly demonstration plots and other cost reduction measures in qualitative and quantitative production processes.

It is gratifying to realize that the farmers holding barren, marginal and degraded lands have been able to convert them into productive lands by taking up high yielding, short rotation planting stock. The farmer economics has improved, his value chain stands enhanced, while for the pulp and paper industry, there is greater visibility of raw material security in the foreseeable future.



# Talent Management & Development

WE ARE STRIVING FOR A PERIOD OF SUSTAINABLE GROWTH, WHERE PRIMACY WILL BE SAFETY OF PEOPLE AND ASSETS AND RESPECT FOR ENVIRONMENT.



The Company operates with integrity towards the employees, sets high standard of business conduct and behaviors that protect human rights and safety in the day-to-day management. As a team, we strive at all times to understand and meet expectations of customers, business associates and other stakeholders.

IP APPM embodies values which are deeply rooted in openness, integrity, tolerance and respect for all, all of which are integrated in business activities. It is part of the Company's identity and philosophy to offer its employees a fair and safe working environment. The Company recognizes that people generate economic value in whatever they do, seek personal development and hence the leadership encourages the employees to perform to their potential and mutually agreed responsibility.

Good and safe working conditions are actively created which work as enablers for individual and organizational success.

There is a continuous and consistent effort undertaken to bring a culture of excellence and a culture of quality. The Company relentlessly examines its processes, to be the best in the business and to minimize any possible potential hazard for the employees and the society.

Our people focus on excellence will get us higher volumes, rising revenues, better capacity utilization, cost compression and higher margins. Higher *capacity utilization* will enable us to spread our fixed costs across the product lines. Individuals are being motivated to contribute towards cost control, productivity and team work, with quarterly recognitions. We are striving for a period of sustainable growth, where primacy will be safety of people and assets and respect for environment.

Emphasis during the year was to create high potential employees at every level and provide them with the support and tools they need to develop into our future



team of skilled employees and business leaders. We invested in creating a learning organization to enable every employee to work to his or her full potential and continuously develop and refine their technical, operational and management skill sets. Successful realization of IP APPM's business strategy is built on their growth and ability to deliver.

All IP APPM employees participate in the process of setting objectives to measure their own performance. During the year, we introduced mandatory career and development worksheets (CDW) across the senior staff of the organization to ensure career management and succession planning. All career movements are to be made based on CDWs and every employee also receives regular annual performance reviews.

As part of employee engagement, we undertook the task of ensuring efficient, effective and scalable core processes and systems across the organization through project GPS (Global Processes and Systems). Another initiative was the mandatory one-on-ones between managers and employees as an outcome of the Global Employee Engagement Survey. Competency assessments have been completed for all senior managers. There is a more agile workforce, with fair amount of interchangeability in locations and functions.

IP APPM has a structured and strategic approach to develop leadership capabilities at various levels within the Company. There is an emphasis on succession planning, to foster and manage good employee relation and change management across the Company.



# Societal commitment

**IP APPM'S INVOLVEMENT IS AN ARTICLE OF FAITH, TO ENGAGE EMPLOYEES WITH A PASSION, TO MAKE A POSITIVE IMPACT ON THE LIVES OF PEOPLE WHO NEED ASSISTANCE.**

For International Paper, contribution to society is integral to business. IP APPM supports a range of local activities committed to projects that support education, safety, environmental protection, health and social affairs. The Company listens to the community members to understand their needs, concerns and perspectives.

As part of its corporate societal involvement, the Company works closely with the local communities to deliver longer-term outcomes that benefit people in their neighborhood. Because our employees and their families are part of the wider community, IP APPM has a large band of volunteers who understand and respect the society's needs and participate to offer meaningful support to the projects.

IP APPM's involvement is an article of faith, to engage employees with a passion, to make a positive impact on the lives of people who need assistance. International Paper gave an impetus to this movement in 2013-14 by setting up the IP India Foundation to ensure a structured way to contribute to the society.

IP India Foundation has been initiating, encouraging and supporting various initiatives directly or through employee engagement programs. This is not only achieved by imparting skill development and training programs, but also by making financial support available in terms of grants, subsidies etc. The Foundation encourages and supports non-conventional & renewable sources of energy systems, including rural electrification projects. It is also actively involved in providing assistance during relief & rehabilitation of the populace affected by natural calamities.

The Foundation has been promoting & propagating farm forestry programs with emphasis on conserving natural resources, creating healthier environment and massive plantations on marginal & degraded farm lands. This helps in sustaining needs of farmers by providing them with the means of generating indirect employment and uplifting the socio economic conditions of the villagers and tribal communities.

Employee engagement within the Company is more of a volunteer led effort. From teaching young students about the importance of education, demonstrating zebra crossing for their safety, painting of school walls to cleaning of colonies, distribution of alternative energy lamps and so on, our employees have both organized and participated in several projects.

The Company also partners with organizations to support their programs through financial contributions or in-kind. For instance, the Foundation has joined hands with WWF in conducting census at the national parks to help the wildlife department to arrive at certain conclusions regarding the population of different animals, their density, distribution and the presence of different types of flora across the jungles.

Local community focus of IP APPM includes several projects, a few of which are listed below:

- **Project 100** aims to build the educational future of India 'brick-by-brick' by addressing the need for better educational infrastructure and building the tangible asset of schools. The project aims to create a friendly and enabling atmosphere for children at the zilla





parishad schools by ensuring drinking water, lights and fans, benches, desks and chairs, books and stationary. The school authorities are sensitized to conserve water through rain water harvesting pits within the school premises, encouraged to plant trees and improve the infrastructure within the school. Ten schools have been identified under project 100 for developing rain water harvesting pits to recharge the ground.

- **Project kShitija** is an initiative to distribute solar based study aids to students studying in class 10 in 27 schools covering 7 districts of Andhra Pradesh predominantly in the forest region where there is acute power shortage.
- As part of the initiative towards women empowerment, vocational training is imparted to enhance the skill and train women and adolescent girls not only in stitching and embroidery, but also to impart value education. Every 6 months, a batch of 30 students graduate and 10 students who have completed their 10<sup>th</sup> class also get certificates from the government.
- Livelihood and social skill development program is a project to enable and empower differently abled persons to live an independent life. IP APPM team played a crucial role in generating support through

collective action and provided training to the disabled children. Candle making and training classes to make paper bags were organized for the specially abled children to support their livelihood.

- IP APPM passionately protects the environment in all areas of its operations to balance environmental, social and economic needs. This approach has served the society well. As part of our efforts in the area of sustainability and community development, the Company assisted in construction of a check dam to store rain water to benefit around 150 arches of assigned land at Tantikonda village.
- Through the Green Wave Campaign, IP APPM employees spearhead and promote awareness among the school students on importance of plantation and recycling by conducting quiz, debates and other activities.
- The Company recognizes that community members are prone to water borne diseases and need sanitation facilities in the villages adjoining the banks of River Godavari. Provision of safe drinking water by IP APPM has been a boon to the villagers, supported by two overhead structures, one for community water usage and another for the safe water through reverse osmosis. Employees of the Company have been





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The Foundation has been promoting & propagating farm forestry programs with emphasis on conserving natural resources, creating healthier environment and massive plantations on marginal & degraded farm lands.

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creating awareness amongst the villagers on the importance of drinking safe water and the necessity to maintain hygiene. This has motivated the community to ensure that everyone at household, school and balawadi drinks safe drinking water and keeps the community clean.

- Provision of piped safe drinking water to the residents in and around the mill area is another initiative of the Company that meets the needs of several hundred households.
- Local artisans living in the farm forestry areas work on their age old crafts making traditional toys as their occupation. They need support. IP APPM with its **project Ekko-talz** promotes their potential, provides marketing linkages and adds to their visibility with the result they have enhanced their skills for making innovative craft products for the modern consumer. There is sustainability, certainty and better living for the artisans through this move.
- In order to develop a high-performance culture among the employees, we have designed employee engagement in the community they live and work. Under this project, the employees volunteer during disasters such as flood and fire accidents, support local government schools, contribute in cash to aid

child education, create awareness on health through skits and stories, join hands to distribute solar lamps to the school students in and around the forest areas, voluntarily work for construction of check dam and rain water harvesting pits within school premises, conduct painting competition etc. Employees of IP APPM experience fulfillment through such life enhancing activities.

- IP India foundation is committed to provide quality education with improved infrastructure at the APPM Model School at Rajahmundry. The School provides a healthy physical, mental and spiritual atmosphere, so that the roots of our ancient culture and traditional legacy are well-preserved through academic exposure and spiritual ventures. This results in integration of Indian culture, and knowledge to suit the present day needs and values. The children are encouraged to be alive to their surroundings.
- Towards enhancing their skills, teachers were involved in learning computers, attending training workshops, preparation of teaching materials and models, importance of ethics and compliance standards.
- Saplings have been planted in and around the mill and other areas by employees who have pledged to nurse the plants, protect the environment and save the Earth.



## Corporate Information

### ANDHRA LEAD TEAM

(As on May 1, 2014)

**Mr. C. Prabhakar**

Senior Vice President (Corporate Affairs) &  
Company Secretary

**Mr. Jaspal Singh**

Senior Vice President (Sales & Marketing)

**Ms. Jayashree Satagopan**

Senior Vice President & CFO  
(upto April 30, 2014)

**Mr. V.V.B. Vasantharao**

Senior Vice President (Operations) &  
Mill Manager

**Mr. Atanu Chakrabarti**

Vice President (Supply Chain)

**Mr. Deepak Khare**

Vice President (Forestry)

**Mr. P. Sreenivas**

Chief Information Officer

**Mr. Badrinath Chellappa**

Vice President & CFO  
(from May 1, 2014)

**Mr. V. Srinivasa Rao**

Associate Vice President (HR)

**Mr. Yogesh Jain**

Associate Vice President  
(Purchase & Commercial)

**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  
Telangana, India  
Phone: +91 40 3312 1000  
Fax: +91 40 3312 1010

### Works

**Unit:RAJAHMUNDRI**

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

### Website

[www.ipappm.com](http://www.ipappm.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.

## Directors' Report

Your Directors have pleasure in presenting the 50th Annual Report of the Company and the Audited Accounts for the year ended March 31, 2014.

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

<b>Financial Results</b>		₹ Crore
	<b>12 Month ended March 31, 2014</b>	15 Month ended March 31, 2013
Sales and other income	<b>1104.90</b>	1253.62
Earnings before interest, depreciation & taxation (EBIDTA)	<b>73.98</b>	138.77
Less: Interest (including bank & finance charges)	<b>43.39</b>	55.36
Depreciation	<b>87.01</b>	87.94
Profit/(Loss) before tax	<b>(56.42)</b>	(4.53)
Less: Exceptional items	–	16.19
Tax expense/(benefit)	<b>(14.81)</b>	2.98
Profit/(Loss) for the period	<b>(41.61)</b>	(23.70)

### Change of Name

The name of your Company has been changed from The Andhra Pradesh Paper Mills Limited to International Paper APPM Limited with effect from December 16, 2013 following issue of fresh Certificate of incorporation consequent upon change of name dated December 16, 2013.

### Performance of the Company

Your Company adopted the following strategic principles:

- Become the low cost producer;
- Customer support excellence;
- World class operations & focus on safety, environment and productivity;
- Optimize footprint to grow in printing and writing segment.

During the financial year ended March 31, 2014, the Company continued to execute initiatives focused on these principles. These initiatives will continue to create long term value for our stakeholders and help position your Company as a leading supplier of premium grade products in the Indian market.

The past two years have witnessed significant challenges for the paper industry in India. A soft economic environment, combined with significant escalations in fiber costs, depreciation of the rupee (versus the US Dollar) and inflation has resulted in cost headwinds which have been challenging.

During the financial year ended March 31, 2014, your Company recorded:

- paper production of 210,584 MT as against 258,202 MT for the previous 15 month period ended March 31, 2013;
- revenue of ₹1091.65 crore from net sale of paper as against ₹1230.50 crore for the previous 15 month period ended March 31, 2013;
- sales of 208,089 MT as compared to 279,093 MT in the fifteen month period January 2012 - March 2013. Your 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 16,748 MT as against 37,819 MT for the previous 15 month period ended March 31, 2013. There was substantial increase in sales realisation per MT over the previous period;
- EBIDTA of ₹73.98 crore as against ₹138.77 crore;
- a loss of ₹41.61 crore in view of longer outage at Unit: Rajahmundry, rupee depreciation, adverse fiber price and product mix and delay in consents. The outage, completed without any LIFE incident, resulted in quarterly downtime of 24 hours in recovery boiler. The critical issue of electric overhead travelling cranes in respect of Paper Machine # 2, 3 & 5 was addressed by renovation.

### Dividend

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

### Subsidiary company

During the year under review, IP India Foundation was incorporated under Section 25 of the Companies Act, 1956 as a Private Limited Company on June 20, 2013. The entire share capital of ₹5 lakhs is held by the Company and its nominee and therefore, the IP India Foundation is a wholly-owned subsidiary of your Company. A statement of particulars of IP India Foundation under Section 212 of Companies Act, 1956 is provided in this Annual Report.

The Ministry of Corporate Affairs vide its General Circular No.2/2011 dated February 8, 2011 granted General Exemption under Section 212 (8) of the Companies Act, 1956 to companies from attaching accounts of its subsidiary companies in its Annual Report subject to fulfillment of certain conditions prescribed therein. The Board of Directors of the Company at the Meeting held on



April 22, 2014 noted the provisions of the above mentioned Circular of Ministry of Corporate Affairs and passed the necessary resolution granting the requisite approval for not attaching copies of the accounts of IP India Foundation subject to complying with the provisions of the said Circular.

The Company undertakes that annual accounts of IP India Foundation and the related information will be made available to the shareholders holding Company seeking such information at any point of time. The annual accounts of IP India Foundation will be available on the Company's website [www.ipappm.com](http://www.ipappm.com) and will also be available for inspection by any shareholder at the Registered and Corporate Office of the Company.

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

#### **Raw material procurement**

Your Company's concerted efforts, in stiff competitive environment, has been able to meet 100% requirement of pulpwood from local farmers and was able to source major part of raw material primarily within 350 kms radius within Andhra Pradesh.

During the last year, 204.8 million quality saplings (around 27% increase over the last year) were distributed covering an area of 28,019 hectares under plantation, as against development and distribution of 161.30 million seedlings covering an extent of 22,975 hectares during the previous 2012 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 has been taken at a wider perspective through a collaborative project with Institute of Forest Genetic & Tree Breeding, Coimbatore, Tamilnadu. We are introducing more farmer-friendly demonstration plots and other cost reduction measures in qualitative and quantitative production processes. In addition, the initiatives with high yielding, short rotation planting stock will enhance raw material availability, spread over 1,84,000 hectares. These have created a pool of about 91.75 million man-days especially in rural areas, so far.

#### **Future plan of action**

Keeping in view of growth in fibre demand, additional thrust

on enhancing area under farm forestry and selecting second generation Casuarina clones will be given, which will help the farmers to achieve higher yield per acre than the existing Casuarina clones, ultimately resulting in better returns to farmers and additional fiber to the Company from the same area.

#### **Awards/certifications**

Your Company received 'Special Export Award' for 2011-12, in recognition of its achievement in respect of paper and paperboard, as export sale increased by 19.14% as compared to the previous financial year 2010-11. The award was presented on December 26, 2013 by Dr. E.M. Sudarsana Natchiappan, Hon'ble Minister of State for Commerce and Industry, Government of India, at the export award presentation function organized by CAPEXIL at Kolkata.

#### **Corporate Social Responsibility**

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

The following CSR activities were undertaken by the Company directly or through IP India Foundation during the year under review:

- a. Continued distribution of solar lamps to the students of Zilla Parishad high schools in the farm forest areas which enable the students to study during power cut time, with an overall improvement of pass percentage from 79% to 92%.
- b. Provided vocational training to the women in Mallayyapeta.
- c. Imparted training to the disabled children in candle making, paper bags etc.
- d. Provided safe drinking water through tanks to the residents in and around the Mills.
- e. Provision of improved facilities at nurseries towards protection of employment.
- f. Organized blood donation camps, health and motivation awareness, events/lectures.
- g. Encouraging rain water harvesting in Zilla Parishad high school premises filled during plantation.
- h. Providing drinking water facilities, lights and fans, furniture and books to the government schools.
- i. Provided support for construction of check dam at Tantikonda Village which would help the farmers to store the rain water.



## **IT Initiatives**

### **Salesforce**

During the year, your Company implemented a new Customer Relationship Management system in partnership with Salesforce.com. Salesforce.com is a cloud computing and social enterprise Software-as-a-Service (SaaS) provider. The new system will enable sales and marketing to have better lead management, gain visibility of current opportunity, manage large key accounts and enable better relations with dealers. Complaint tracking (CTS) process is more streamlined. Introduced block scheduling concept as part of S&OP process which provides probable dispatch date to the customer and improves machine efficiency.

### **Helpdesk**

Centralized Helpdesk was launched in India on November 6, 2013. This is in line with International Paper's support model in US and Poland. India is the only country after US and Poland to launch a full scale helpdesk system with all three groups of ITSS (Customer support, remote support and regional support). Helpdesk enables end users to raise tickets on MyhelpIN (web interface tool) or by calling on phone support that is available 24X7 which can be reached from anywhere, at any time.

### **HR initiatives**

- Undertaken the task of ensuring efficient, effective and scalable core processes and systems across the organization through project GPS (Global Processes and Systems);
- Introduced career and development worksheets (CDW) as mandatory across the senior staff of the organization to ensure career management and succession planning. All career movements to be made based on CDWs;
- Introduced performance assessments to the junior staff of the organization in Kadiyam mills;
- Encouraged individual contributions by introducing variable pay across the senior staff of the organization;
- Introduced mandatory one-on-ones between managers and employees as an outcome of the Global Employee Engagement Survey;
- Reviewed and updated policies that include like domestic travel, international travel, credit card policy, dress code, substance abuse, rehire and separation, relocation, etc.
- Continue to focus on developing young and aspiring leaders for week long training at the Leadership Institute, USA.

## **Industrial relations at Rajahmundry and Kadiyam Mills**

The Company had signed settlement under Section 12(3) of Industrial Disputes Act effective from July 1, 2012 with the recognized unions of Unit: Kadiyam in April, 2013.

At Unit:Rajahmundry earlier wage settlement expired on June 30, 2013. The recognized union has submitted charter of demands and bilateral negotiations are under process.

The overall IR climate at both mills is collaborative.

### **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 there under is provided in the Annexure - II forming part of the Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956 the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Any Member interested in obtaining, such information may write to Company Secretary at the Registered Office of the Company.

### **Public deposits**

Four deposits totaling ₹1.45 lakhs due for repayment on or before March 31, 2014 were not claimed by the depositors as on that date. Three deposits aggregating to ₹0.80 lakhs were repaid during April, 2014. 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 have confirmed their eligibility and willingness to accept office, if re-appointed.



## Directors

During the year under review, Mr. Brett Allen Mosley resigned from the Board with effect from February 28, 2014.

The Board placed on record its appreciation for the valuable advice and guidance received from Mr. Brett Allen Mosley during his tenure as Director.

The Board appointed Ms. Shiela P. Vinczeller as Additional Director with effect from March 31, 2014. She will hold office upto the date of ensuing Annual General Meeting. The Company had received requisite notice in writing under Section 160 of the Companies Act, 2013 proposing her candidature.

Mr. Thomas G. Kadien shall retire at the forthcoming Annual General Meeting and being eligible, offered himself for re-appointment.

## Independent Directors

Section 149 of the Companies Act, 2013 (effective April 1, 2014) provides that Independent Directors shall hold office for a term of five consecutive years and shall be eligible for re-appointment on passing a Special Resolution by the Members of the Company. Therefore, your Directors are seeking appointment of Mr. M.S. Ramachandran, Ms. Ranjana Kumar, Mr. Praveen P. Kadle, Mr. M.K. Sharma, Mr. Adhiraj Sarin and Mr. Milind Sarwate as Independent Directors for five years for a term up to March 31, 2019. The details of the proposal for appointment of these Independent Directors are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 to the Notice of 50th Annual General Meeting.

## Cost Auditors

In terms of Section 148 of the Companies Act, 2013, the Board at their meeting held on April 22, 2014 appointed Messrs Narasimha Murthy & Co., Cost Accountants as Cost Auditors of the Company at a remuneration of ₹5.85 lakhs (excluding service tax) plus reimbursement of travelling and out of pocket expenses on the recommendation of Audit Committee at their meeting held on April 21, 2014 for the financial year ending March 31, 2015 and their remuneration shall be ratified by the Members at the forthcoming Annual General Meeting.

## Cost Accounting Records

Cost accounting records for the financial year under review were maintained as per the Companies (Cost Accounting Records) Rules. M/s. Narasimha Murthy & Co., Cost Accountants were appointed as Cost Auditors of the

Company with the approval of Central Government to audit the cost accounts for the financial year ended March 31, 2014.

The Cost Audit Report in XBRL form due for filing on September 27, 2013 for the financial year ended March 31, 2013 was filed with the Ministry of Corporate Affairs on August 29, 2013.

The report for the year ended March 31, 2014 will be filed on or before September 27, 2014.

## Directors' Responsibility Statement

Your Directors hereby confirm and declare that:

- i. in the preparation of annual accounts for the year ended March 31, 2014, 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 year ended March 31, 2014 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 year ended March 31, 2014 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, BNP Paribas, JPMorgan Chase Bank and Bank of America N.A. for their continued support during the year.

Your Directors also 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



Hyderabad  
April 23, 2014

**W. Michael Amick Jr.**  
Executive Chairman

## 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 financial year ended March 31, 2014:

- a. Replacement of 13 Nos. of energy efficient pumps in Paper Machines resulted in saving of 25 KW of power.
- b. Installation of energy efficient squirrel cage induction motor for vacuum pumps of RJ 2 & 3 paper machines with a saving of 27 KW of power.

### FORM 'A'

#### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	Current period	Previous period
<b>A. Power &amp; Fuel Consumption</b>			
1. Electricity			
a. Purchased units	KWH/Lakhs	<b>257.10</b>	373.57
Total amount	₹/Lakhs	<b>1,493.13</b>	1,861.39
Rate/unit	₹	<b>5.81</b>	4.98
b. Own Generation			
i. Through diesel generator			
Units	KWH/Lakhs	<b>1.74</b>	4.66
Units/Ltr of diesel oil	KWH	<b>3.18</b>	3.15
Cost/unit	₹	<b>20.27</b>	15.18
ii. Through steam turbine (Double extraction- cum-condensing)			
Units	KWH/Lakhs	<b>2,321.90</b>	2,874.00
Cost/unit	₹	<b>1.54</b>	1.71
iii. Through steam turbine (Single extraction- cum-condensing)			
Units	KWH/Lakhs	<b>372.26</b>	491.43
Cost/unit	₹	<b>4.47</b>	3.86
2. Coal			
Quantity	MT	<b>236,343.34</b>	325,955.00
Total cost	₹/Lakhs	<b>6,804.17</b>	8,769.00
Average rate	₹/MT	<b>2,879.00</b>	2,690.25
3. Furnace oil			
Quantity	KL	<b>986.75</b>	1,340.00
Total amount	₹/Lakhs	<b>423.88</b>	562.00
Average rate	₹/KL	<b>42,957.00</b>	41,940.30
4. Sawdust & others			
Quantity	MT	<b>16,756</b>	18,091
Total amount	₹/Lakhs	-	14.71
Average rate	₹/MT	-	1,241.61
<b>B. Consumption per MT of production</b>			
Electricity	KWH	<b>1,349</b>	1,386
Furnace oil	KL	<b>0.005</b>	0.005
Coal	MT	<b>1.120</b>	1.258
Husk, saw dust & others	MT	<b>0.079</b>	0.070

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

**A. Technology absorption, adaptation and innovation**

**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.
		ii. 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.
3.	a. Technology imported	Addressing the unreliability of off-site beneficial use practices and the high cost of the alternative commercial landfill disposal by co-firing of ETP sludge in the boiler by installing belt press, an upgraded sludge dewatering system which was imported from M/s. Gebr. Bellmer GmbH Maschinenfabrik, Germany to achieve a minimum 43% dewatered cake solids to feed in the boiler.
	b. Year of import	2013-14
	c. Has the technology been fully absorbed?	Yes

**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 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 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 on-line monitoring & recording.
	b. Year of import	2011
	c. Has the technology been fully absorbed?	Technology has been fully absorbed.
3.	a. Technology imported	As part of replacement of center press roll for KA3 Bi-Nip Press in the existing worn out roll position, new roll was imported from M/s. MWN Maschinenfabrik, Germany with 'Pressrok Xtreme' covering for the bare roll and M/s. Stowe Woodward, Germany for covering to achieve superior sheet release properties, superior abrasion resistance, high temperature stability, good resistance against chemicals and agents, etc. for reliability.
	b. Year of import	2013-14
	c. Has the technology been fully absorbed?	Yes.

## B. Research & Development

### Unit:Rajahmundry (Plant)

Sl. No.	Specific areas in which R&D carried out by the Company	Benefits derived as a result of R&D	Future plan of action
1.	<ul style="list-style-type: none"> <li>New product development.</li> <li>Product quality improvement.</li> <li>Process optimization studies.</li> <li>Identification of functional additives and plant trials for cost reduction/quality improvement.</li> <li>Evaluation of alternate fibrous raw materials.</li> </ul>	<ul style="list-style-type: none"> <li>New products developed as per market demand.</li> <li>Modification of products for customer satisfaction.</li> <li>Identification of additives for quality improvement and cost reduction.</li> <li>Identification of alternate fibrous raw materials.</li> </ul>	<ul style="list-style-type: none"> <li>New product development.</li> <li>Evaluation of alternate fibrous raw materials.</li> <li>Process optimization studies.</li> <li>Identification of functional additives/chemical for product development, process/quality improvement and cost reduction.</li> </ul>

**Unit: Rajahmundry (Forest)**

Sl. No.	Specific areas in which R&D carried out by the Company	Benefits derived as a result of R&D	Future plan of action
1.	Rapid improvement of Casuarina and Leucaena through an IPMA sponsored collaborative project.	<ul style="list-style-type: none"> <li>a. Broadening of the genetic base.</li> <li>b. Enhanced genetic and economic gain.</li> <li>c. Wider acceptability of our propagules across inland &amp; the coastal areas of Andhra Pradesh.</li> </ul>	<ul style="list-style-type: none"> <li>a. Suitable provenance selection as per inland &amp; coastal locations of Andhra Pradesh.</li> <li>b. New clonal development for an enhanced productivity per unit area.</li> <li>c. Quality seed development.</li> <li>d. Improved seedling development.</li> <li>e. Introduction of new hybrids.</li> </ul>
2.	Creation of appropriate clonal multiplication area(s).	<ul style="list-style-type: none"> <li>a. Preservation of the precious parent clones for commercial utilization.</li> <li>b. Assured propagation of the selected clones through our own CPCs.</li> <li>c. Enhanced rooting per cent in CPCs thus, improved clonal economics.</li> <li>d. Improved production of the root biomass.</li> <li>e. Higher uniformity of the end produce.</li> </ul>	<ul style="list-style-type: none"> <li>a. Establishing more CMA to match rooting capabilities.</li> <li>b. Development of Indoor clonal hedge gardens.</li> <li>c. Quality shoots development for clonal production.</li> <li>d. Efficient rejuvenation of the existing clones through tissue culture.</li> </ul>
3.	Quality seeds from clonal seed orchards.	<ul style="list-style-type: none"> <li>a. Improved supply of the quality seeds to seedling nurseries for higher seed to seedling conversion ratios.</li> <li>b. Improved germination per cent.</li> <li>c. Improved yield per unit area.</li> </ul>	<ul style="list-style-type: none"> <li>a. More seed orchard development for seed production.</li> <li>b. Community seed orchards at nursery locations.</li> <li>c. Enhancement of genetic gain from improved planting stock.</li> </ul>
4.	Casuarina clone testing under spacing trials.	<ul style="list-style-type: none"> <li>a. Optimized spacing for better yield.</li> <li>b. Volumetric optimization under varied spacing trials.</li> <li>c. Educative value for the Tree growers.</li> </ul>	<ul style="list-style-type: none"> <li>a. Farmer awareness through laying of demo plots in all the operative zones CPC location with wider spacing.</li> <li>b. These demo plots to be spread across varied Edaphic condition located in varied inland &amp; the coastal locations of Andhra Pradesh.</li> </ul>
5.	Enhancement of rooting percentage in CPCs.	<ul style="list-style-type: none"> <li>a. Overall casuarina rooting % in MC/pH, was enhanced to 57.87% during 2013 as compared to 33.84% of 2012.</li> <li>b. This has reduced more cuttings consumption and increased the quality of clonal plants.</li> </ul>	<ul style="list-style-type: none"> <li>a. Selection of more efficient less cost media.</li> <li>b. Research using compressed coconut coir peat.</li> <li>c. Reduce rooting cycle with more efficiency.</li> </ul>
6.	Subabul nursery trials.	<ul style="list-style-type: none"> <li>a. Varied varieties of Subabul seeds viz. - Tarramba and K636 were subjected to testing in the nursery to broaden the genetic base of the concerned species.</li> </ul>	<ul style="list-style-type: none"> <li>a. Seed supply of K636 to farmers at a larger scale</li> <li>b. Bringing new Subabul varieties for pulpwood production.</li> </ul>

**Research & Development (Contd.)****Unit: Rajahmundry (Forest)**

Sl. No.	Specific areas in which R&D carried out by the Company	Benefits derived as a result of R&D	Future plan of action
7.	Introduction of innovative method - water culture.	a. Rooting of casuarinas cuttings in water is less cost investments. b. Reduces cost of Inputs thus, economical. c. Avoids usage of vermiculite, root trainers, misting. d. Reduces water consumption in the rooting process at MC. e. Low energy. f. Increases percentage of rooting. g. Occupies less space and produces more root biomass.	a. Designing semi automated structure for large scale rooting. b. Reducing energy enhancing more rooted cuttings producing.

**C. Expenditure on Research & Development (₹ Lakhs)**

a. Capital	:	17.26
b. Recurring	:	434.22
c. Total	:	451.48
d. Total R&D expenditure as a percentage of total turnover (%)	:	0.39

**D. Foreign exchange earnings and outgo (₹ Lakhs)**

a. Foreign exchange earned	:	7669.85
b. Foreign exchange utilised	:	18103.71

For and on behalf of the Board


**W. Michael Amick Jr.**  
Executive ChairmanHyderabad  
April 23, 2014**STATEMENT UNDER SECTION 212 (3) OF THE COMPANIES ACT, 1956**

1.	Name of subsidiary	IP India Foundation
2.	Financial period ended	March 31, 2014
3.	Share capital	₹ 5.00 lakhs
4.	Reserves & surplus	(-) ₹ 1.17 lakhs
5.	Total liabilities	₹ 4.03 lakhs
6.	Details of investment	Nil
7.	Turnover (Donations received)	₹ 2.58 lakhs
8.	Deficit for the period	₹ 1.17 lakhs
9.	Proposed dividend	NA
10.	Extent of interest of holding company in the subsidiary	100%
11.	Net aggregate amount of losses not dealt in the books of holding company	₹ 1.17 lakhs

# Management Discussion & Analysis

## ECONOMIC BACKGROUND

The financial year 2013-14 saw macroeconomic weaknesses with persistence in inflation, falling growth, weaker corporate balance sheet, deteriorating asset quality of the banks, fiscal imbalances and external sector vulnerabilities. There was turbulence in global interest rate cycle with volatile movements, capital outflows, rising asset prices and intense exchange rate pressures.

The rupee exchange rate depreciated by 10.6% against the US dollar, between the beginning and end of the financial year. Large capital outflows and sliding currency brought to fore the underlying macroeconomic vulnerabilities. Stabilization of the economy, by restoring exchange rate stability, became a challenge.

Global growth, after decelerating for the last three years, is poised to improve in 2014, but risks to outlook remain with uncertainties arising from moves to unwind unconventional monetary policies and possible renewed deflation in the euro area. Economic expansion in the US is gaining firmer footing and will aid recovery in global activity and trade. Recovery in large emerging market and developing economies could stay moderate as supply-side constraints, tight monetary policies and tightening of financial conditions with tapering by the US could act as a drag on growth acceleration.

In India, growth in the second half of 2013-14 turned out to be marginally higher than the first half, mainly due to a rebound in agricultural output and improved export performance. However, industrial growth continues to stagnate and leading indicators of the services sector exhibit a mixed picture. Durable recovery remains contingent on addressing persistent inflation, and the bottlenecks facing the mining and infrastructure sectors.

Inflation declined significantly from December 2013, both in terms of the CPI and WPI, driven by falling food prices which had firmed up considerably during April-November 2013. Despite the moderation, CPI inflation continued to remain high near 10% with inflation excluding food and fuel components also remaining persistent at 8%.

On current reckoning, growth in 2013-14 is likely to be 4.7%, a touch better than the 4.5% recorded in the immediately preceding year, which itself was the lowest in the past decade. Various surveys however, including the Reserve Bank's Industrial Outlook Survey, show that business confidence has started to rebuild. A moderate paced recovery is likely in the next year with support from rural demand, pick-up in exports and some turnaround in investment demand. The growth in 2014-15 is likely to be in the range of 5 to 6%, as project clearances translate into investment, global growth outlook improves, and inflation softens.

## GLOBAL SCENARIO

Pulp, paper and board totalling 400 million metric tons is produced on all continents. The largest producer countries, US, China, Japan and Canada, make up more than half of the world's production. Asia Pacific is turning dominant in the industry due to improvement in changing lifestyle of consumers, rapid urbanization, and rise in disposable income. A combination of factors such as demographic and economic conditions, and environmental regulations has had a significant impact on the industry dynamics. Paper consumption is forecasted to increase to 490 million tons by 2020.

Celulose based paper and packaging has been an integral part of our cultural development and is essential for modern life, helps to raise the levels of literacy worldwide and plays an important role in protecting goods and foodstuffs during transit.



It is a versatile product with many end uses varying from household papers, graphic and office papers to medical papers. 50% of the paper and board produced globally is used for packaging. Writing & printing paper makes the second largest market for paper. Half the global paper is consumed in Europe and North America.

Pulp and paper is primarily made out of wood fibers originating from natural forests or pulpwood plantations. Recycled fiber and other fiber sources such as agricultural residue are also utilized and recycled fiber is becoming more commonly used in pulp and paper making.

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

Paper is made from renewable resources, and responsibly produced and used paper has many advantages over non-renewable alternative materials. Responsible production also minimizes harmful impact on forests, climate, and water. The industry in general has been in the forefront of stewardship to bring about sustainable forestry, clean pulp and paper manufacturing, and promote responsible paper consumption.

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

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

## INDIAN PAPER INDUSTRY

In this 140 year old paper industry, the first paper mill is known to have been established way back in 1867. According to an estimate, the paper industry has over 800 units engaged in the manufacture of paper, paperboards and newsprint across the country. The geographical spread of the industry as well as market is mainly responsible for regional balance of production and consumption. There is near self-sufficiency with the indigenous production of most varieties of paper and paperboards. Certain varieties of specialty papers are, however, imported.

The industry grew with the rising level of literacy, improving well-being of the people and surging aspiration levels. Paper usage has increased over the years. Yet, the per capita consumption in the country is estimated to be barely 9.3 kgs compared with 75 kgs in China, 158 kgs each in European Union, Korea, Taiwan, Hong Kong, Singapore & Malaysia, 218 kgs in Japan, 224 kgs in North America, and the global average itself is a healthy 55 kgs.

India has 17% of the world's population yet accounts for only about 3% of the world's production of paper and paperboard. The estimated turnover of the industry is ₹35,800



crore approximately and provides employment to more than 370,000 people directly and 1,300,000 indirectly.

Most of the paper mills are in existence for a long time and hence present technologies fall in a wide spectrum ranging from oldest to the most modern. The mills use a variety of raw material viz. wood, bamboo, recycled fiber, bagasse, wheat straw, rice straw, etc.; approximately 35% are based on chemical pulp, 44% on recycled fiber and 21% on agro-residues.

India's wood resources suitable for paper production are inadequate. Cost of wood is hence much higher in comparison to the rest of the world. Since there is conspicuous absence of enabling policies favoring corporate plantation or farming, securing future wood supplies will be the industry's biggest challenge. Wood based segment of the paper industry meets its current wood requirements mainly through social/farm forestry and supplements it with purchases from the state forest development corporations. A few manufacturers have even explored import of raw wood from neighboring countries.

The paper industry in India is majorly categorized in to writing and printing (W&P), paperboard and newsprint segments. Paperboards constitute approximately 46% of the demand volume, while W&P accounts for approximately 31%. Newsprint makes for another 18%.

Major varieties of W&P are creamwove, maplitho, copier and coated paper. Recent trends indicate higher quality paper segments such as copier and coated varieties have been gaining volumes, while creamwove has a stable market. Maplitho, copier and coated paper command higher realizations, while creamwove is a volume runner. According to industry estimates, creamwove commands 44% of the W&P market, maplitho occupies 22% and copiers constitute the balance 34%.

Paperboard, primarily used for industrial purposes, consists of kraft paper, virgin board and recycled board. Kraft paper is produced in several varieties generally differentiated by properties of strength and grammage. Paperboard varieties include coated/uncoated duplex, chromo and triplex boards.

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

So far, the growth in paper industry has mirrored the growth in GDP. India is the fastest growing market for paper globally and it presents an exciting scenario; the operating capacity of the industry currently stands at 13.10 million tons. Of these, paperboard production is about 5.9 million tons, W&P constitutes 4.1 million tons and newsprint makes for 2.5 million tons. Amongst W&P, uncoated paper accounts for 84% or about 3.45 million tons (including creamwove 1.78 million tons; maplitho 0.90 million tons and copier 0.77 million tons) and the balance 16% is made up of coated paper (art board, art paper and chrome paper).

Paper consumption is poised for a big leap forward in sync with growing emphasis on education and literacy, along with the expected resurgence in the economy and is estimated to touch 13.95 million tons by 2017-18. While W&P is expected to reach 5.2 million tons, robust growth is expected in the copier variety which is likely to climb from the present 0.77 million tons to 1.25 million tons. Similarly, paperboard production

is estimated to increase from the present 5.9 million tons to 7.6 million tons by 2017-18 with improved FMCG sales, wider reach of organized retail, penetration of healthcare in to the rural economy, sustained demand for packaged products in line with rising aspiration levels and changed lifestyles.

Growth in paper consumption anecdotally is correlated to the growth in GDP and hence an increase in consumption by one kg per capita on a 100 basis point increase in GDP, would lead to an increase in demand of 1 million ton. With growth in GDP and increase in literacy, paper consumption in India is bound to go up. In fact, consumption in India is estimated to double by 2020.

## **THREATS & OPPORTUNITIES**

Demand for paper and paperboard closely follows the economic trends in the country. So far, the growth in the Indian paper industry has mirrored the growth in GDP, with a fairly positive correlation to the underlying change in the economy.

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

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

There is therefore enormous potential for the paper industry in the country. Yet, this is accompanied by serious challenges, primarily from rising raw material cost. Wood prices have shot up by over 200% in the past 18 months. Worse, supplies tended to dry up, with the result several paper producers have had to import expensive fiber/raw wood.

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

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.

IP APPM strives to ensure raw material security. Concerted efforts have 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, accelerate specific projects for fiber security, and introduce more site-specific clones by means of macro propagation, spacing trials and clonal trials for Subabul.



A major cost component of production is energy which has become a challenge for the manufacturers. The Government of India has withdrawn the core sector status hitherto enjoyed by the paper industry, which has made coal availability more challenging. 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, consistency in quality and its costs add to the sensitivities of the industry, adversely impacting margins. Several producers in the industry find it difficult to produce paper and paperboard even four days in a week, while IP APPM has strived hard to overcome the challenges.

## **COMPANY PERSPECTIVE**

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

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

The well-known copiers of the Company offer a wide range of office documentation and multipurpose papers from economy to premium grades ideal for both home and commercial use. The papers are available in best-in-class brightness and produced with elemental chlorine free (ECF) pulp technology. The range is perfect for high volume photocopying and high-quality color printing needs and engineered to run flawlessly on all types of photocopiers, laserjet and inkjet printers, fax machines and multi functional devices.

The production facilities at Rajahmundry and Kadiyam (includes a recycle unit) have a total production capacity of 241,000 TPA. The Company employs around 2,300 employees and is headquartered at Hyderabad.

Given the context of the Company celebrating its Fifty Golden Years, a brief background would help appreciate the progress. In 1921, the mill was established as Carnatic Paper Mills Limited at Rajahmundry, Andhra Pradesh. During its initial years, the mill was not making any profits and was eventually shut down due to insolvency. In 1929, the Andhra Paper Mills Company Limited was incorporated to take over the assets of Carnatic Paper Mills Limited. After formation of the State of Andhra Pradesh in 1953, the Andhra government took over the Rajahmundry mill. Its capacity at that time was 10 TPD.

Pursuant to a joint venture agreement between Government of Andhra Pradesh and the industrialist, Mr. G. D Somani, the Government agreed to transfer the assets to a new company, to be formed with the name and style of The Andhra Pradesh Paper Mills Limited. The Company was incorporated on June 29, 1964 under the Companies Act, 1956.

In 1966, Mr. Somani transferred his rights and obligations to the West Coast Paper Mills Limited, which in turn transferred its ownership in 1981 to Digvijay Investments Limited controlled by Mr. L. N. Bangur. The Company was a family run business of the Bangurs till 2011.

In 2011, the Andhra Pradesh Paper Mills Limited was acquired by International Paper (IP), a USD 30 billion American pulp and paper company founded in 1898. In the first significant domestic acquisition by a foreign paper company, IP bought 75% stake in the Company. IP, headquartered in Memphis, Tennessee, USA is the largest pulp and paper company in the world, with approximately 70,000 employees across 24 countries.

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

With gross sales of approximately ₹1,159 crore for the year ended March 31, 2014 (USD 193 million @ ₹60 per USD), IP APPM stays focused on people safety, efficiency enhancements and social and community programs backed up with its own pioneering work in raw material generation through social farm forestry. Across the Company, there is a strong strategic focus to drive future growth through building on the organization strengths to produce the highest in quality, ramping up of volumes and be a cost effective producer of paper.

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

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

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

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

The unit manufactures uncoated writing and printing paper - mainly 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.

The paper industry is capital intensive with a large gestation period. Payback is partly earned through better product characteristics and value realization and partly by improving productivity. In its endeavor to match global standards, IP APPM has invested





heavily in environment friendly technologies that facilitate increasing the overall quality of products and demonstrating productivity gains.

Over the past few years, IP APPM invested in 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.

## **RAW MATERIAL**

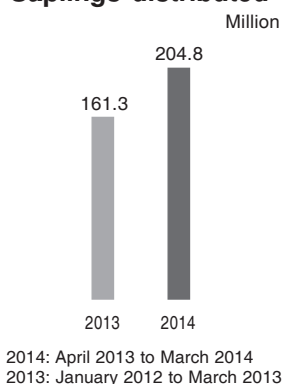
The Company has been in the forefront of pioneering work in raw material generation through social farm forestry. Indeed, IP APPM is becoming a driving force in sustainability in the paper manufacturing arena through focused social and community programs.

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

In 2013, IP APPM could source all its requirement of pulpwood within a radius of 350 kms (primarily within Andhra Pradesh) and as in the past several years, majority of the procurement was obtained from the Company's own farm forestry initiative. 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, IP APPM supports farmer welfare programs and champions the cause of an ecofriendly environment. The clonal saplings distributed by the Company have started yielding results and the farmers have reported more than 100% improvement in yield per acre of wood produced.

### Saplings distributed



During the year under review, 204.8 million quality saplings were distributed covering an area of 28,019 hectares under plantation, as against development and distribution of 161.30 million seedlings covering an extent of 22,975 hectares during the previous 2012 planting year. Research on clonal development has resulted in introduction of high yielding, disease resistant clones that are versatile to a wide variety of agro-climatic conditions in inland and coastal areas.

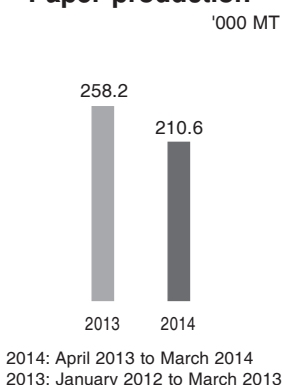
The initiatives taken with high yielding, short rotation planting stock will enhance raw material availability, spread over 184,000 hectares. These have created a pool of about 91.75 million man-days especially in rural areas, so far.

IP 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.

## PERFORMANCE REVIEW

In its bid to gain momentum, the endeavor of the Company has been to adopt strategic principles that enhance long-term performance. The Company strived to become the low cost producer; fine tune customer support processes and systems to add excellence in delivery; focus on safety, environment and productivity to benchmark with global standards; and expand in printing and writing segments to be a leading supplier of premium grade products in the Indian market.

### Paper production



The environment was challenging, yet IP APPM produced of 210,584 MT of paper in the 12-months ended March 2014 as against 258,202 MT for the previous 15 month period ended March 31, 2013. Sales volume was 208,089 MT as compared to 279,093 MT in the fifteen month period January 2012-March 2013. Upward price revisions across all grades were made and together with a change in the product mix, the Company earned a higher Net Sales Realization per MT of about 19.90% at ₹55,834.

There was 17% increase in export realisation per MT at ₹51,913 for the year over the previous period. The volume however, was lower at 16,748 MT as against 37,819 MT for the previous 15 month period ended March 31, 2013.

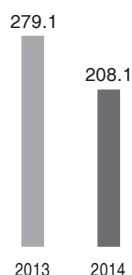
The net revenue from operations of ₹1091.65 crore from sale of paper is favorably comparable to ₹1230.50 crore in the previous 15 month period ended March 31, 2013; EBIDTA was ₹73.98 crore in the financial year as against ₹138.77 crore in the earlier 15-month period.

Interest and Finance Charges for the current period of 12 months were ₹43.39 crore as against ₹55.36 crore for the 15 month period of previous year. There was an annualized saving of 2% p.a. over the previous reporting period.



## Sales volume

'000 MT



2014: April 2013 to March 2014  
2013: January 2012 to March 2013

The foreign exchange fluctuation during the period under review was in the range of ₹54.38 to ₹61.12 per US Dollar representing 12.50% movement. The loss on account of adverse movement in foreign exchange rates was ₹1.57 crore during the reporting period as compared to ₹2 crore in the previous reporting period

One of the major thrust area of the Company was to enhance efficiencies throughout the operational process, which helped reduce costs. Yet, during 2013-14, there was a loss of ₹41.61 crore in view of longer outage at Unit: Rajahmundry, rupee depreciation, adverse input Raw Material costs and delay in consents.

**Note: The current period figures relate to 12 months ended March 2014 as against the 15 month period ended March 2013 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 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.

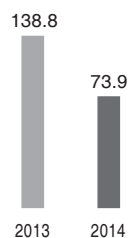
All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore can provide only reasonable assurance of achieving the designed control objectives.

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 Audit Committee of the Company provides reassurance to the Board on the existence of an effective internal control environment.

The control environment component is the foundation for all other components. IP 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.

## EBIDTA

₹ Crore



2014: April 2013 to March 2014  
2013: January 2012 to March 2013

## IT SUPPORTS BUSINESS

During the year, the Company implemented a new CRM system in partnership with Salesforce.com, a cloud computing and social enterprise Software-as-a-Service (SaaS) provider. The new system enables sales and marketing to have better lead management, gain visibility of current opportunity, manage large key accounts and enable better relations with dealers. Complaint tracking (CTS) process is more streamlined. Block scheduling concept has been introduced as part of S&OP process which provides probable dispatch date to the customer and improves machine efficiency.

Centralized Helpdesk was launched in line with the support model in US and Poland. India is the only country after US and Poland to launch a full scale helpdesk system with all three groups of ITSS (Customer support, remote support and regional support). Helpdesk enables end users to raise tickets on MyhelpIN (web interface tool) or by calling on phone support that is available 24X7 which can be reached from anywhere, at any time.

## HUMAN RESOURCES

At IP APPM, people are fundamental to business success. While pursuing best-in-class performance, the Company is significantly increasing its investment in its employees with training and development. There is a continuous effort to improve the working environment with the belief that it is important to have employee well-being, which does add to their enthusiasm to perform at their best for the Company.

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. IP 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.

During the year, the Company undertook the task of ensuring efficient, effective and scalable core processes and systems across the organization through project GPS (Global Processes and Systems). In addition, career and development worksheets (CDW) were mandatorily introduced across the senior staff of the organization to ensure career management and succession planning. All career movements are being made based on CDWs. A notable initiative was introduction of mandatory one-on-ones between managers and employees as an outcome of the Global Employee Engagement Survey.

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



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

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

The Company had signed settlement under Section 12(3) of Industrial Disputes Act effective from July 1, 2012 with the recognized unions of Unit: Kadiyam in April, 2013. At Unit: Rajahmundry, the earlier wage settlement expired on June 30, 2013. The recognized union has submitted charter of demands and bilateral negotiations are in progress.

## OUTLOOK

The long-term outlook is positive. The potentials of the paper industry are likely to be unlocked in the near future given the confidence in the Indian economy and the measures being taken by the government to rein in inflation, create employment opportunities, expand per capita incomes and invest in literacy and health. The undertone is firm across the Indian economy. There is a positive momentum and the paper industry can look ahead with reasonable optimism.

IP APPM has positioned itself better by strengthening the organizational processes and systems over the past two years. Concerted efforts were made to inspire the people with focus on management development as well as to improve efficiency of resources. Manufacturing processes were stabilized and new products introduced which have added to traction in the market. In a competitive copier market, IP APPM today has a high-end product.

There is some level of flattening in raw material prices. Farm forestry efforts have started to pay off with more plantings being made by farmers in their wastelands. Wood prices have tempered, while availability in the catchment areas have improved. Paper prices have tended to be firm, and with initiatives taken towards cost compression and efficiency enhancement, IP APPM will be creating the basis to ensure the Company's long-term success.

## 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.*



# Management of Risks

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

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

## SOME OF THE INDUSTRY SPECIFIC RISKS

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 around 6% in 2014-15. 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.

## Cyclicalities of industry

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

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

More significant, IP APPM has continuously rationalized and strived to improve efficiencies to lower its costs, added to its scale of operations and stepped up its volume of value-enhancing products. Efforts are being made to 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, IP 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.



IP 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 IP 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.

IP APPM has grown into one of the most competitive producers of pulp and paper, and with its product development, investment in quality and branding, the Company retains a significant competitive edge in the market. IP APPM has been recognized for the branding and quality of its grades and the newly introduced varieties have been received well by the market. Leadership positions in terms of product quality have been earned over the decades in some of the key segments such as 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 IP APPM.*

IP 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 IP 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 IP APPM is an integrated manufacturer with proximity to raw materials, there are logistics advantages to the Company. 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. IP 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 as a recyclable, renewable, low cost product. However, the electronic medium has reduced the archiving needs that were met by lower grades of paper, which could impact demand pull within the Creamwove category.*

Per capita consumption of paper in India currently stands at 9.3 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. IP APPM sees no threat in the short and medium term within its product categories since all of them are growing, especially given the low base in paper usage and consumption.

**Technology**

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

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

**Raw Materials**

*The paper industry requires a sustainable supply of wood to survive and flourish. Wood accounts for approximately 40% of the cost of production. Any threat in supplies would adversely affect the survival of the paper industry.*

At IP APPM, the availability of raw material is given foremost priority. Every possible effort is made to encourage land owners in the vicinity of the mill to grow more than twice the number of trees than 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 IP 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 IP 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 environment friendly farm forestry practices and assisting land owners to cultivate trees on fallow wastelands.

For over two decades now, IP APPM has catalyzed the generation of raw materials in its catchment area through farm/social forestry. The Company ensures conservation and regeneration of natural resources, helps farmers to create sustainable income streams and in the process, protects adequate availability of quality raw materials for



paper manufacture. These arrangements have been working satisfactorily in the past and IP APPM has been procuring the required raw material in sufficient quantities at competitive rates.

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

## Utilities

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

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

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

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

## Exchange rate

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

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

## Interest rate

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

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

Risks from cash flow fluctuations are recognized in a timely manner as part of the liquidity planning. Receivables from customers as at March 31, 2014 were under control at 18 days. The current ratio was 0.87:1 and the debt:equity ratio was 1.20 as at the balance sheet date on March 31, 2014.

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

## **Environment**

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

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

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

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

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

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





# Report on Corporate Governance

## 1. Company's philosophy on 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, 2014, 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 financial year four meetings of Board of Directors were held on April 23, 2013; July 23, 2013; October 14, 2013 and January 21, 2014.
- 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:

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

<sup>1</sup> Excluding foreign companies, private limited companies, companies having license under Section 25 of the Companies Act, 1956 and alternate directorships.

<sup>2</sup> Memberships/chairmanships of only the Audit Committee and Shareholders'/Investors' Grievance Committee have been considered.

<sup>3</sup> Resigned from the Board of Directors with effect from February 28, 2014.

<sup>4</sup> Appointed as an Additional Director with effect from March 31, 2014.

### 3. Audit Committee

#### Terms of reference

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

- a. 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. The Composition of Audit Committee as on March 31, 2014 is as follows:

Name	Designation
Mr. Milind Sarwate	Chairman
Mr. M.K. Sharma	Member
Mr. Praveen P. Kadle	Member
Mr. Thomas G. Kadien	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. Milind 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 April 23, 2013; July 20, 2013; October 14, 2013 and January 21, 2014.

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

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



#### 4. Remuneration Committee

The composition of Remuneration Committee as on March 31, 2014 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 April 18, 2013; November 19, 2013 and March 10, 2014.

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

Name	Number of Meetings held	Number of Meetings attended
Mr. M.S. Ramachandran	3	3
Mr. M.K. Sharma	3	2
Mr. Adhiraj Sarin	3	2

##### i. Remuneration to Executive Director

- a. The details of remuneration paid to Mr. Rampraveen Swaminathan, Managing Director & CEO during the financial year ended March 31, 2014 is given below:

₹ Lakhs

Salary & allowances	Perquisites	Contribution to provident fund, superannuation fund and gratuity	Total
224.50	0.76	17.54	242.80

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

##### 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, 2014 were as follows:

Name	₹ Lakhs*
Mr. M.S. Ramachandran	1.40
Ms. Ranjana Kumar	0.80
Mr. M.K. Sharma	1.80
Mr. Adhiraj Sarin	1.20
Mr. Milind Sarwate	1.60
Mr. Praveen P. Kadle	0.60
TOTAL	7.40

\*The amount is exclusive of Service Tax

- b. Details of the shares of the Company held by the Directors as on March 31, 2014 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

The composition of Investors' Grievance Committee as on March 31, 2014 is as follows:

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

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 December 3, 2013 and all the members attended the meeting.

The details of the status of complaints received from the shareholders during the financial year ended March 31, 2014 are furnished below:

Pending as on April 1, 2013	Nil
Received during the financial year	13
Redressed during the financial year	13
Pending as on March 31, 2014	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 & Analysis forming part of the Annual Report.

## 7. General Body Meetings

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

Year ended	Date and time	Venue
March 2011	September 10, 2011 at 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104
December 2011	March 22, 2012 at 3.00 p.m.	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103
March 2013	August 6, 2013 at 11.30 a.m.	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103

ii. Special Resolutions passed in the previous three Annual General Meetings:

Date	Description of Special Resolutions passed
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.
August 6, 2013	a. Appointment of Mr. W. Michael Amick Jr. as a Director & Executive Chairman. b. Payment of minimum remuneration to Mr. Rampraveen Swaminathan, Managing Director & CEO. c. Payment of minimum remuneration to Mr. P.K. Suri, former Director (Operations).

- iii. No special resolution was passed through postal ballot during the financial year ended March 31, 2014.
- 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 Senior 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:

- i. **Remuneration Committee:** The Company has constituted a Remuneration Committee to determine the remuneration package of Executive Directors based on their performance.
- ii. **Whistle Blower Policy:** The Company has established a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. This mechanism could also provide for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. Once established, the existence of the mechanism may be appropriately communicated within the organization.
- iii. **Corporate Social Responsibility Committee (CSR Committee):** The Board of Directors at their meeting held on April 22, 2014 has constituted CSR Committee and the terms of reference of the Committee are:
  - a. To recommend CSR policy to the Board for approval;
  - b. To institute transparent monitoring mechanism for implementation of CSR projects;
  - c. To monitor the CSR activities undertaken by IP India Foundation from time to time;
  - d. Such other matter as may be specified in CSR rules from time to time.

## 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.ipappm.com](http://www.ipappm.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
50th Annual General Meeting	August 27, 2014 at 11.30 a.m.	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Rajahmundry - 533 103 East Godavari District, Andhra Pradesh



**15. Financial calendar** (Tentative and subject to change)**Financial year: April 1, 2014 to March 31, 2015**

Particulars	Period ended	On or before
Unaudited financial results for the quarter ending	June 30, 2014	August 14, 2014
Unaudited financial results for the quarter ending	September 30, 2014	November 14, 2014
Unaudited financial results for the quarter ending	December 31, 2014	February 14, 2015
Audited financial results for the year ending	March 31, 2015	May 30, 2015
Annual General Meeting for the year ending	March 31, 2015	September 30, 2015
Details of Book Closure	August 13, 2014 to August 27, 2014 (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 Bandra (East), Mumbai - 400 051
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The Company paid the annual listing fees for the financial year 2014-15 in April 2014 to BSE and NSE.

**17. Stock code**

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

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

Month		Share price ₹		BSE Sensex	
		High	Low	High	Low
2013	April	216.45	181.35	19622.68	18144.22
	May	271.15	196.30	20443.62	19451.26
	June	297.90	236.00	19860.19	18467.16
	July	304.90	246.00	20351.06	19126.82
	August	264.00	222.65	19569.20	17448.71
	September	310.00	238.00	20739.69	18166.17
	October	327.90	273.00	21205.44	19264.72
	November	292.00	242.10	21321.53	20137.67
	December	284.00	240.70	21483.74	20568.70
2014	January	291.95	228.50	21409.66	20343.78
	February	260.70	231.00	21140.51	19963.12
	March	270.00	223.20	22467.21	20920.98

**b. NSE**

Month		Share price ₹		S & P CNX NIFTY	
		High	Low	High	Low
2013	April	216.90	187.10	5962.30	5477.20
	May	270.90	195.00	6229.45	5910.95
	June	298.00	237.00	6011.00	5566.25
	July	304.95	245.00	6093.35	5675.75
	August	263.95	206.10	5808.50	5118.85
	September	307.85	240.20	6142.50	5318.90
	October	324.00	272.10	6309.05	5700.95
	November	292.00	242.45	6342.95	5972.45
	December	284.75	240.20	6415.25	6129.95
2014	January	291.70	228.10	6358.30	6027.25
	February	260.00	231.90	6282.70	5933.30
	March	270.90	223.90	6730.05	6212.25

**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, 2014**

Nominal Value of Equity Shares ₹	Shareholders		Value	
	Number	%	₹	%
1 - 5000	9,963	89.01	10,026,250	2.52
5001 - 10000	571	5.10	4,366,320	1.10
10001 - 20000	285	2.55	4,162,180	1.05
20001 - 30000	101	0.90	2,563,660	0.64
30001 - 40000	51	0.46	1,810,980	0.46
40001 - 50000	33	0.29	1,544,360	0.39
50001 - 100000	85	0.76	6,180,400	1.55
100001 and above	104	0.93	367,046,240	92.29
<b>TOTAL</b>	<b>11,193</b>	<b>100.00</b>	<b>397,700,390</b>	<b>100.00</b>

**Category of equity shareholders as on March 31, 2014**

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	1,353,522	3.40
b. Foreign Institutional Investors	606,879	1.53
c. Foreign banks	200	0.00
Sub-total	1,960,601	4.93
2. Non-Institutions		
a. Bodies corporate	3,523,953	8.86
b. Indian public	4,335,442	10.90
c. Non Resident Indians	35,967	0.09
d. Trust	19,332	0.05
e. Clearing Members	67,215	0.17
Sub-total	7,981,909	20.07
Total public shareholding (1+2)	9,942,510	25.00
<b>TOTAL (A+B)</b>	<b>39,770,039</b>	<b>100.00</b>

**22. Dematerialization of shares as on March 31, 2014**

Depository name	No. of shares dematerialised	Percentage on equity share capital
National Securities Depository Limited	37,165,611	93.45
Central Depository Services (India) Limited	2,245,567	5.65
Total dematerialized shares	39,411,178	99.10

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

**24. Transfer of amount to Investor Education and Protection Fund**

A sum of ₹193,878 representing equity dividend of the Company for the financial year 2005-06 which remained unclaimed for seven years has been transferred on November 14, 2013 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 dematerialized the unclaimed shares. The Company is maintaining the details of shareholding of each individual allottee whose shares are credited to the Unclaimed Shares Demat Suspense Account.

The particulars of shares in 'International Paper APPM Limited - Unclaimed Shares Demat Suspense Account' as on March 31, 2014 are as follows:

	Number of shareholders	No. of equity shares
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Shares Demat Suspense Account at the beginning of the year;	5	121
Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Shares Demat Suspense Account during the 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, 2014.	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 East Godavari District Andhra Pradesh	Industrial Area, M.R.Palem - 533 126 Near Kadiyam Railway Station, Kadiyam Mandal, East Godavari District, Andhra Pradesh

**27. Address for correspondence from shareholders**

Karvy Computershare Private Limited Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081	Secretarial Department International Paper APPM Limited Rajahmundry - 533 105 East Godavari District, Andhra Pradesh
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**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  
International Paper APPM 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 March 31, 2014.

Hyderabad  
April 15, 2014

  
**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

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


We have examined the compliance of conditions of Corporate Governance by International Paper APPM Limited [Formerly The Andhra Pradesh Paper Mills Limited] ("the Company") for the year ended on March 31, 2014, 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 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 state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm's Registration No. 008072S)

  
**Ganesh Balakrishnan**  
Partner  
(Membership No.201193)

Hyderabad, April 22, 2014

# Independent Auditors' Report

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

## Report on the Financial Statements

We have audited the accompanying financial statements of **International Paper APPM Limited [Formerly The Andhra Pradesh Paper Mills Limited]** ('the Company'), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

The Company's 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 notified under the Companies Act, 1956 ('the Act') (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those

risk assessments, the auditor considers internal control 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:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b. in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

## Emphasis of Matter

We draw attention to Note 40 to the financial statements which describes that the Central Government has rejected the application made by the Company for the payment of remuneration of ₹70.07 lakhs made to an erstwhile promoter director, in an earlier year, in excess of the limits specified under Schedule XIII, to the Companies Act, 1956. The Company has made a representation to the Ministry of Corporate Affairs ('MCA') against the said rejection and the approval is pending from the MCA.

Our opinion is not qualified in respect of this matter.





## Report on Other Legal and Regulatory Requirements

1. 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.
2. As required by Section 227(3) of the Act, we report that:
  - a. 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.
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow

Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs).

- e. On the basis of the written representations received from the directors as on March 31, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 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 22, 2014

## 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 year, 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:
  - a. 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 year 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 year, 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 inventory:
  - a. As explained to us, the inventories were physically verified during the year 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 listed 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 and services. 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 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, other than certain purchases which are of a special nature for which comparable quotations are not available and in respect of which we are, therefore, unable to comment.
- vii. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 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 year 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 generally 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, cess and other material statutory dues applicable to it with the appropriate authorities.
- b. There were no undisputed amounts payable in respect of provident fund, Investor Education and Protection Fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues in arrears as at March 31, 2014 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, 2014 on account of disputes are given below:

Name of statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ Lakhs)
Income Tax Act, 1961	Tax	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	2002-03	4.99
			2003-04	2.17
			2001-02	5.48
		Income Tax Appellate Tribunal, Hyderabad	2008-09	40.08
			2001-02	14.26
		Income Tax Office, TDS, Rajahmundry	2010-11	1.78
			2008-09	2.12
	Interest	High Court of Andhra Pradesh	1979-80	24.96
Central Sales Tax Act, 1956	Tax	Appellate Deputy Commissioner, Visakhapatnam	2006-07	8.45
			2007-08	4.33
			2008-09	21.54
			2009-10	18.67
		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 General Sales Tax Act, 1957	Tax	High Court of Andhra Pradesh	1987-88	0.19
			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	Penalty	Assistant Commissioner, LTU, Kakinada	2009-12	1.77
	Tax	Appellate Deputy Commissioner, Visakhapatnam	2009-12	1.24
Madhya Pradesh Value Added Tax Act, 2002	Tax	High Court, Madhya Pradesh	1997-98	15.00

*Contd.*

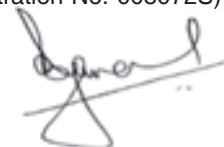
Name of statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ Lakhs)
Orissa Entry Tax Act, 1999	Tax	Deputy Commissioner of Commercial Taxes	2006 to 2010	2.72
			2006 to 2010	0.68
West Bengal Value Added Tax, 2005	Tax	Additional Commissioner of Commercial Taxes	2006-07	1.20
			2009-10	1.78
Central Excise Act, 1944	Duty	Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2009-10 & 2010-11	0.40
			2002-03	3.00
			2005-06	5.46
			2005-06 to 2008-09	22.72
			2004-05 to 2010-11	596.02
		Commissioner of Central Excise (Appeals), Visakhapatnam	2006-07 to 2009-10	14.47
			2008-09 & 2009-10	1.86
		High Court of Andhra Pradesh	1994-95	37.02
			1996-97 & 1997-98	10.90
			1995-96 to 2000-01	1,517.68
			2004-05	0.10
			February 1994	0.36
		Supreme Court	2000-01 to 2002-03	256.92
			2000-01 to 2006-07	45.39
			2003-04 & 2004-05	684.51
			2008-09 & 2009-10	37.28
			2000-01 to 2004-05	3.91
	Duty & Penalty	Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2006-07	140.36
			2003-04 to 2006-07	11.05
			2008-09	894.38
			2001-02 to 2010-11	43.28
			2004-05 & 2005-06 & 2006-07 to 2007-08	97.97
			2005-06 & 2006-07	1.10
			2007-08 to 2008-09	5.29
			2005-06	10.23
			2008-09 to 2010-11	1,482.80
			March 2011 to December 2012	46.06
		Commissioner of Central Excise (Appeals), Visakhapatnam	2007-08 & 2008-09	5.68
			2006-07 to 2008-09	1.10
			October 2011 to March 2012	0.64
			October 2010 to September 2011	1.41
			October 2011 to March 2012	1.30
			April 2012 to September 2012	3.30
		High Court of Andhra Pradesh	2005-06	110.96
			2000-01 to 2006-07	6.94
			2006-07 & 2007-08	0.87
			2004-05 & 2005-06	274.19
			2006-07 & 2007-08	1.51
		Supreme Court	2003-04 to 2006-07	5.33
	Penalty	Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2003-04 to 2010-11	531.22

Contd.

Name of statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ Lakhs)
Finance Act, 1994	Tax	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 January 2012	10.09
			2010-11 to 2011-12	6.74
			2011-12 & 2012-13	11.30
			February 2012 to September 2012	0.24
		Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2004-05 & 2005-06	45.64
			April 2005 to July 2008	157.16

- xi. The accumulated losses of the Company at the end of the financial year are not more than fifty percent of its net worth and the Company has not incurred cash losses in the financial year 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 year 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 year 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 year.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Firm Registration No. 008072S)



**Ganesh Balakrishnan**  
(Partner)  
(Membership No. 201193)

Hyderabad  
April 22, 2014



# Balance Sheet as at March 31, 2014

(₹ Lakhs)

	Note	As at March 31, 2014	As at March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
Shareholders' funds			
Share capital	3	3,977.00	3,977.00
Reserves and surplus	4	37,543.07	41,704.28
		<b>41,520.07</b>	45,681.28
Non-current liabilities			
Long-term borrowings	5A	39,171.25	32,184.35
Deferred tax liabilities (Net)	6	10,869.21	12,431.63
Other long-term liabilities	7A	23.84	98.94
Long-term provisions	8	—	18.51
		<b>50,064.30</b>	44,733.43
Current liabilities			
Short-term borrowings	5B	10,763.30	5,480.53
Trade payables	9	14,604.81	10,420.24
Other current liabilities	7B	14,852.25	14,440.97
		<b>40,220.36</b>	30,341.74
<b>TOTAL</b>		<b>131,804.73</b>	120,756.45
<b>ASSETS</b>			
Non-current assets			
Fixed assets			
Tangible assets	10A	87,279.01	81,621.56
Intangible assets	10B	382.77	465.66
Capital work-in-progress		979.42	2,237.18
Non-current investments	11	1,543.37	1,602.64
Long-term loans and advances	12A	6,531.87	8,700.73
Other non-current assets	13A	13.33	—
		<b>96,729.77</b>	94,627.77
Current assets			
Inventories	14	20,764.33	14,479.31
Trade receivables	15	5,835.46	4,557.88
Cash and bank balances	16	1,577.80	1,656.40
Short-term loans and advances	12B	6,643.04	5,338.67
Other current assets	13B	254.33	96.42
		<b>35,074.96</b>	26,128.68
<b>TOTAL</b>		<b>131,804.73</b>	120,756.45

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

In terms of our report attached

For International Paper APPM Limited

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants

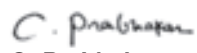
  
**Ganesh Balakrishnan**  
Partner

Hyderabad  
April 22, 2014

  
**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



# Statement of Profit and Loss for the year ended March 31, 2014 (₹ Lakhs)

	Note	Year ended March 31, 2014	15 month period ended March 31, 2013
<b>INCOME</b>			
Revenue from operations (Gross)	17	115,967.76	129,869.87
Less: Excise Duty		6,802.57	6,819.52
Revenue from operations (Net)		109,165.19	123,050.35
Other income	18	1,325.28	2,311.26
<b>TOTAL INCOME</b>		<b>110,490.47</b>	<b>125,361.61</b>
<b>EXPENSES</b>			
Cost of materials consumed	19	46,509.97	37,649.35
Purchases of stock-in-trade (Traded goods)		716.11	602.35
Changes in inventories of finished goods, work-in-progress and stock-in-trade	20	(3,157.69)	7,949.58
Employee benefits expense	21	10,816.60	11,233.85
Finance costs	22	4,338.60	5,536.25
Depreciation and amortisation expense	10C	8,701.49	8,793.72
Other expenses	23	48,207.86	54,049.81
<b>TOTAL EXPENSES</b>		<b>116,132.94</b>	<b>125,814.91</b>
Loss before exceptional items and tax		(5,642.47)	(453.30)
Exceptional items (Refer Note 41)		—	1,619.32
Loss before tax		(5,642.47)	(2,072.62)
Tax expense/(benefit)	24	(1,481.26)	297.61
Loss for the year		(4,161.21)	(2,370.23)
Earnings per share (Face value of ₹10 each) Basic & Diluted	30	(10.46)	(5.96)
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 22, 2014

For International Paper APPM 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

# Cash Flow Statement for the year ended March 31, 2014

(₹ Lakhs)

	Year ended March 31, 2014	15 month period ended March 31, 2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before tax	(5,642.47)	(2,072.62)
<i>Adjustments for:</i>		
Depreciation and amortisation expense	8,701.49	8,793.72
Profit on sale of fixed assets (Net)	(2.65)	(27.10)
Loss on discarded fixed assets	35.03	272.21
Finance costs	4,338.60	5,536.25
Interest income	(154.10)	(200.71)
Dividend income on long-term investments	—	(0.15)
Gain on sale of long-term investments	(21.35)	(7.66)
Bad trade receivables and advances written-off	33.55	7.46
Liabilities/provisions no longer required written back	(436.24)	(472.95)
Provision for doubtful trade receivables and advances (Net)	12.70	40.31
Exceptional Items	—	1,619.32
Net unrealised exchange (gain)/loss	56.63	15.12
<b>Operating profit before working capital changes</b>	<b>12,563.66</b>	<b>15,575.82</b>
<b>Changes in working capital:</b>	<b>6,921.19</b>	<b>13,503.20</b>
<i>Adjustments for (increase)/decrease in operating assets:</i>		
Inventories	(6,285.02)	6,712.46
Trade receivables	(1,316.74)	(1,063.97)
Short-term loans and advances	(1,308.69)	(806.06)
Long-term loans and advances	(170.35)	(32.48)
Other current assets	(156.22)	53.71
<i>Adjustments for increase/(decrease) in operating liabilities:</i>		
Trade payables	4,184.57	(1,543.57)
Other current liabilities	361.78	1,230.71
Other long-term liabilities	(34.83)	34.83
Short-term provisions	—	(176.60)
Long-term provisions	(18.51)	18.51
<b>Cash generated from operations</b>	<b>2,177.18</b>	<b>4,427.54</b>
Net income tax paid	(208.93)	(521.14)
<b>Net cash flow from operating activities (A)</b>	<b>1,968.25</b>	<b>17,409.60</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets, including capital advances	(9,118.16)	(9,516.48)
Proceeds from sale of fixed assets	60.47	101.28
Bank balances not considered as cash and cash equivalents		
Placed	(12.62)	—
Matured	43.49	211.77
Purchase of long-term investments - Subsidiary	(5.00)	—
Proceeds from sale of long-term investments - Others	85.62	10.36
Interest received	151.70	206.93
Dividend received	—	0.15
<b>Net cash flow used in investing activities (B)</b>	<b>(8,794.50)</b>	<b>(8,985.99)</b>



(₹ Lakhs)

	Year ended March 31, 2014	15 month period ended March 31, 2013
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	13,859.26	18,993.47
Proceeds from short-term borrowings	6,183.89	6,825.00
Proceeds from public deposit	– 20,043.15	236.75 26,055.22
Net increase/(decrease) in working capital borrowings	2,284.40	2,512.64
Repayment of long-term borrowings (including current maturities of the same)	(7,808.69)	(17,008.89)
Repayment of short-term borrowings	(2,933.88)	(14,175.00)
Repayment of deferred payment liabilities	(133.16)	–
Repayment of public deposit	(303.60) (11,179.33)	(738.25) (31,922.14)
Finance cost	(4,352.84)	(5,613.85)
Dividends paid (including for earlier years)	(2.12)	(2.72)
Tax on dividend	– (2.12)	– (2.72)
<b>Net cash flow from/(used in) financing activities (C)</b>	<b>6,793.26</b>	<b>(8,970.85)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(32.99)</b>	<b>(547.24)</b>
Cash and cash equivalents at the beginning of the year/period	1,495.27	2,042.51
Cash and cash equivalents at the end of the year/period (Refer Note 16)	1,462.28	1,495.27

See accompanying notes forming part of the financial statements

In terms of our report attached

For International Paper APPM Limited

**For DELOITTE HASKINS & SELLS**  
Chartered Accountants

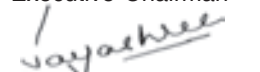


**Ganesh Balakrishnan**  
Partner

Hyderabad  
April 22, 2014



**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

# Notes forming part of the Financial Statements

## 1. Corporate Information

International Paper APPM Limited ("IPAPPM"/"the Company") formerly known as The Andhra Pradesh Paper Mills Limited 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 International Paper APPM Limited (formerly 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') to comply with the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 ('the 1956 Act') (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ('the 2013 Act') in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs and the relevant provision of the 1956 Act/2013 Act as applicable and the guidelines issued by Securities and Exchange Board of India. The financial statements have been prepared on accrual basis under the historical cost convention.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

### b. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

### c. 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.

**d. 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.

**e. Depreciation and amortisation**

Depreciation on plant and machinery situated at Rajahmundry and Kadiam Units and buildings located at Kadiam 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.

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 from the first day of the month based on the capitalisation date.

**Intangible assets**

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 or equal to ₹15,000 are depreciated in full in the year of acquisition.

**f. 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.

**g. 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.

**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 as and when services are rendered by employees.

**PROVIDENT FUND**

Eligible employees receive benefits from a provident fund. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. Rajahmundry unit of the Company makes the contributions to 'The Employee's Provident Fund of The Andhra Pradesh Paper Mills Limited', a 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. **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 up to the date of capitalisation of such asset is added to the cost of the assets.

#### j. **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/up to 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.

#### k. **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.

#### l. **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.

**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. 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.

**o. 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.

**p. 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.

**q. Service tax input credit**

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



### 3. Share capital

(₹ Lakhs)

	As at March 31, 2014		As at March 31, 2013	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorised</b>				
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
<b>TOTAL</b>	<b>40,500,000</b>	<b>4,500.00</b>	<b>40,500,000</b>	<b>4,500.00</b>
<b>Issued, subscribed and fully paid up</b>				
Equity shares of ₹10 each	39,770,039	3,977.00	39,770,039	3,977.00
<b>TOTAL</b>	<b>39,770,039</b>	<b>3,977.00</b>	<b>39,770,039</b>	<b>3,977.00</b>

#### Notes

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

	As at March 31, 2014		As at March 31, 2013	
	Number of Shares	Amount	Number of Shares	Amount
As at beginning of the year	39,770,039	3,977.00	39,770,039	3,977.00
Changes during the year	—	—	—	—
As at end of the year	39,770,039	3,977.00	39,770,039	3,977.00

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

The Company has only one class of issued, subscribed and 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 March 31, 2014	As at March 31, 2013
	Number of Shares	Number of Shares
IP Holding Asia Singapore Pte. Limited <sup>#</sup>	29,827,529	29,827,529

<sup>#</sup> The ultimate holding company is International Paper Company, USA.

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

Name of the Shareholder	As at March 31, 2014		As at March 31, 2013	
	Number of Shares	%	Number of Shares	%
IP Holding Asia Singapore Pte. Limited	29,827,529	75.00	29,827,529	75.00



(₹ Lakhs)

	As at March 31, 2014	As at March 31, 2013
<b>4. Reserves and surplus</b>		
Capital redemption reserve	598.00	598.00
Securities premium account	18,211.13	18,211.13
General reserve	29,016.06	29,016.06
Surplus/(deficit) in Statement of Profit and Loss		
Opening balance	(6,120.91)	(3,750.68)
Add: Loss for the year	(4,161.21)	(2,370.23)
Closing balance	(10,282.12)	(6,120.91)
<b>TOTAL</b>	<b>37,543.07</b>	<b>41,704.28</b>

#### 5A. Long-term borrowings\*

<b>Secured</b> [Refer Note 1(a) below]		
Term loans from banks [Refer Note 1(b) below]	3,720.19	7,149.58
Term loans from other parties [Refer Note 1(c) below]	–	2,533.53
<b>Unsecured</b>		
Term loans from banks (Refer Note 2 below)	25,825.00	14,825.00
Deferred payment liabilities (Refer Note 5 below)	3,206.06	3,559.94
Fixed deposits from public (Refer Note 6 below)	-	44.55
Loan from a related party (Refer Note 7 below)	6,420.00	4,071.75
<b>TOTAL</b>	<b>39,171.25</b>	<b>32,184.35</b>

\*Current maturities of long-term debts are disclosed under Note 7B - 'Other current liabilities'.

	As at March 31, 2014	As at March 31, 2013
<b>5B. Short-term borrowings</b>		
<b>Secured</b>		
Loans repayable on demand from banks (Refer Note 3 below)	2,584.73	2,978.49
<b>Unsecured</b>		
Loans repayable on demand from banks (Refer Note 4 below)	8,134.82	2,199.24
Fixed deposits from public (Refer Note 6 below)	43.75	302.80
<b>TOTAL</b>	<b>10,763.30</b>	<b>5480.53</b>

#### Notes

1. a. Term loans availed from various banks and other parties aggregating to ₹9,062.55 [March 31, 2013: ₹16,760.39] 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 III is further secured by a charge on current assets of the Company. These term loans are availed at interest rates ranging from 10.00% to 12.50%, except for Term Loan I at six month Libor plus 300 basis points.
- b. These term loans from banks are repayable as under: Term Loan I: ₹700.32 (March 31, 2013: ₹888.33) repayable in five half-yearly installments of ₹140.06 each. Term Loan II: ₹799.29 (March 31, 2013: ₹1,599.30) repayable in one annual installment of ₹799.29. Term Loan III: ₹4,766.67 (March 31, 2013: ₹7,233.33) repayable in thirteen quarterly installments of ₹366.67 each. Term Loan IV: ₹Nil (March 31, 2013: ₹1,293.75) repayable in fifteen quarterly installments of ₹86.25 each. The entire amount has been pre-paid during the year.
- c. Term loans from other parties represents term loans availed from foreign financial institutions, aggregating ₹2,796.27 (March 31, 2013: ₹5,745.68) is availed at six month Libor plus 250 basis points. These term loans are repayable as under: Term Loan I: ₹2,796.27 (March 31, 2013: ₹5,067.67) repayable in two semi-annually installments of ₹1,398.14 each. Term Loan II: ₹Nil (March 31, 2013: ₹678.01). The entire amount has been re-paid during the year.



2. The Company has availed unsecured term loans from banks aggregating to ₹25,825.00 (March 31, 2013: ₹14,825.00) and are secured by Letter of Comfort from International Paper Company, USA, the ultimate holding company, at interest rates ranging from 9.00% to 11.50%. These term loans are repayable as under:
  - a. Term Loan I: ₹6,825.00 (March 31, 2013: ₹6,825.00) 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: ₹10,000.00 (March 31, 2013: ₹4,000.00) is payable in 3 unequal installments at the end of 24, 30 and 36th month.
  - c. Term Loan III: ₹9,000.00 (March 31, 2013: ₹4,000.00) has a tenor of 18 months, which is renewable automatically for a successive period of 18 months, subject to consent of both the parties.
3. The Company has availed working capital demand loans/cash credit facilities from certain banks, at interest rates ranging from 9.50% to 12.00% during the year. The outstanding as at the Balance Sheet date aggregates ₹2,584.73 (March 31, 2013: ₹2,978.49). 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. The Company has unsecured short-term loans/working capital demand loans/cash credit facilities/buyers credit from certain banks, at interest rates ranging from 8.25% to 11.25% during the year. The outstanding as at the Balance Sheet date aggregates ₹8,134.82 (March 31, 2013: ₹2,199.24).
5. Deferred payment liabilities represent sales tax deferral loan availed by the Company, from the Government of Andhra Pradesh and is repayable after a period of 14 years from the end of the financial year of its availment. These are interest free loans. An amount of ₹386.93 (March 31, 2013: ₹133.16) 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.
6. 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 ₹45.20 (March 31, 2013: ₹348.80) of which ₹Nil (March 31, 2013: ₹44.55) is repayable beyond one year and ₹43.75 (March 31, 2013: ₹302.80) is repayable within next twelve months. Unclaimed public deposits of ₹1.45 (March 31, 2013: ₹1.45) is included under the head 'Unpaid matured deposits and interest accrued thereon' disclosed under Note 7B - Other current liabilities.
7. The Company availed an unsecured loan from IP Holding Asia Singapore Pte. Limited, the holding company, aggregating ₹7,490.00 (March 31, 2013: ₹4,071.75) at Libor plus 250 basis points. Loan is repayable in seven half yearly installments commencing from December 31, 2014.

	As at March 31, 2014	As at March 31, 2013
<b>6. Deferred tax liabilities (Net)</b>		
Deferred tax liabilities		
On account of depreciation	15,289.19	14,510.54
Others	104.72	101.76
	<b>15,393.91</b>	14,612.30
Deferred tax assets		
Disallowances under Section 43B of the Income Tax Act, 1961	217.76	337.70
Unabsorbed depreciation	4,052.32	1,529.48
Others	254.62	313.49
	<b>4,524.70</b>	2,180.67
<b>TOTAL</b>	<b>10,869.21</b>	12,431.63
<b>7A. Other long-term liabilities</b>		
Advance rent received	—	34.83
Others*	23.84	64.11
<b>TOTAL</b>	<b>23.84</b>	98.94
*Retention monies payable towards fixed assets purchase		

(₹ Lakhs)

	As at March 31, 2014	As at March 31, 2013
<b>7B. Other current liabilities</b>		
Current maturities of long-term debts		
Secured (Refer Note 5 for details of security)	5,342.36	7,077.28
Unsecured	1,456.93	133.16
Interest accrued but not due on borrowings	215.52	230.47
Advance rent received	34.83	38.00
Unclaimed dividends	6.88	9.00
Application money received for allotment of securities and due for refund and interest accrued thereon	0.80	0.83
Unpaid matured deposits and interest accrued thereon	1.76	1.69
Trade/security deposits received	1,902.79	1,934.54
Other payables		
Statutory remittances (Contributions to PF and ESIC, withholding taxes, excise duty, VAT, service tax, etc.)	933.54	732.95
Payables on purchase of fixed assets	1,576.10	629.79
Contractually reimbursable expenses	452.73	328.66
Advances from customers	128.48	450.23
Others	2,799.53	2,874.37
<b>TOTAL</b>	<b>14,852.25</b>	<b>14,440.97</b>
<b>8. Long-term provisions</b>		
Provision for employee benefits		
Compensated absences	—	18.51
<b>TOTAL</b>	<b>—</b>	<b>18.51</b>
<b>9. Trade payables</b>		
Trade payables		
Dues to micro and small enterprises (Refer Note 37)	100.42	80.23
Dues to others	14,504.39	10,340.01
<b>TOTAL</b>	<b>14,604.81</b>	<b>10,420.24</b>

## 10. Fixed assets

Description	Gross Block				Accumulated Depreciation				Net Block	
	As at April 1, 2013	Additions*	Adjustments/ Disposals	As at March 31, 2014	As at April 1, 2013	Depreciation for the year	Adjustments/ Disposals	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
<b>A. Tangible</b>										
Land – Freehold	298.33	–	–	<b>298.33</b>	–	–	–	–	<b>298.33</b>	298.33
	<i>298.33</i>	–	–	<i>298.33</i>	–	–	–	–	<i>298.33</i>	
Buildings –										
Own use	8,828.03	3,081.64	113.41	<b>11,796.26</b>	3,979.58	582.33	99.77	<b>4,462.14</b>	<b>7,334.12</b>	4,848.45
	<i>8,786.26</i>	<i>94.90</i>	<i>53.13</i>	<i>8,828.03</i>	<i>3,412.06</i>	<i>618.80</i>	<i>51.28</i>	<i>3,979.58</i>	<i>4,848.45</i>	
Leasehold	3.12	–	–	<b>3.12</b>	3.07	0.01	–	<b>3.08</b>	<b>0.04</b>	0.05
	<i>3.94</i>	–	<i>0.82</i>	<i>3.12</i>	<i>3.85</i>	–	<i>0.78</i>	<i>3.07</i>	<i>0.05</i>	
Plant and Equipment	121,586.14	10,713.61	1,163.48	<b>131,136.27</b>	46,615.11	7,541.02	1,112.59	<b>53,043.54</b>	<b>78,092.73</b>	74,971.03
	<i>113,651.76</i>	<i>8,331.58</i>	<i>397.20</i>	<i>121,586.14</i>	<i>38,975.93</i>	<i>7,770.41</i>	<i>131.23</i>	<i>46,615.11</i>	<i>74,971.03</i>	
Furniture and Fixtures	378.02	207.86	38.92	<b>546.96</b>	133.59	129.22	33.34	<b>229.47</b>	<b>317.49</b>	244.43
	<i>262.35</i>	<i>261.32</i>	<i>145.65</i>	<i>378.02</i>	<i>219.83</i>	<i>36.65</i>	<i>122.89</i>	<i>133.59</i>	<i>244.43</i>	
Vehicles	641.82	114.14	95.06	<b>660.90</b>	266.75	118.76	72.86	<b>312.65</b>	<b>348.25</b>	375.07
	<i>421.31</i>	<i>345.06</i>	<i>124.55</i>	<i>641.82</i>	<i>271.57</i>	<i>94.04</i>	<i>98.86</i>	<i>266.75</i>	<i>375.07</i>	
Office equipment	860.70	204.67	1.32	<b>1,064.05</b>	378.83	188.62	0.78	<b>566.67</b>	<b>497.38</b>	481.87
	<i>709.52</i>	<i>581.48</i>	<i>430.30</i>	<i>860.70</i>	<i>602.16</i>	<i>176.94</i>	<i>400.27</i>	<i>378.83</i>	<i>481.87</i>	
Leasehold improvements	439.02	20.97	–	<b>459.99</b>	36.69	32.63	–	<b>69.32</b>	<b>390.67</b>	402.33
	–	<i>439.02</i>	–	<i>439.02</i>	–	<i>36.69</i>	–	<i>36.69</i>	<i>402.33</i>	
<b>TOTAL</b>	<b>133,035.18</b>	<b>14,342.89</b>	<b>1,412.19</b>	<b>145,965.88</b>	<b>51,413.62</b>	<b>8,592.59</b>	<b>1,319.34</b>	<b>58,686.87</b>	<b>87,279.01</b>	<b>81,621.56</b>
	<i>124,133.47</i>	<i>10,053.36</i>	<i>1,151.65</i>	<i>133,035.18</i>	<i>43,485.40</i>	<i>8,733.53</i>	<i>805.31</i>	<i>51,413.62</i>	<i>81,621.56</i>	
<b>B. Intangible</b>										
Goodwill	1,933.97	–	–	<b>1,933.97</b>	1,933.97	–	–	<b>1,933.97</b>	–	–
	<i>1,933.97</i>	–	–	<i>1,933.97</i>	<i>1,933.97</i>	–	–	<i>1,933.97</i>	–	
Computer software	709.94	26.01	–	<b>735.95</b>	244.28	108.90	–	<b>353.18</b>	<b>382.77</b>	465.66
	<i>217.27</i>	<i>513.38</i>	<i>20.71</i>	<i>709.94</i>	<i>204.75</i>	<i>60.19</i>	<i>20.66</i>	<i>244.28</i>	<i>465.66</i>	
<b>TOTAL</b>	<b>2,643.91</b>	<b>26.01</b>	<b>–</b>	<b>2,669.92</b>	<b>2,178.25</b>	<b>108.90</b>	<b>–</b>	<b>2,287.15</b>	<b>382.77</b>	<b>465.66</b>
	<i>2,151.24</i>	<i>513.38</i>	<i>20.71</i>	<i>2,643.91</i>	<i>2,138.72</i>	<i>60.19</i>	<i>20.66</i>	<i>2,178.25</i>	<i>465.66</i>	

\* Additions to fixed assets include capitalisation of interest of ₹37.55 (March 31, 2013 - ₹86.82) and foreign exchange fluctuations of ₹1150.96 (March 31, 2013 - ₹284.77).

Previous year figures in italics.

### C. Depreciation/Amortisation for the year/period

	Year ended March 31, 2014	15 month period ended March 31, 2013
Tangible assets	<b>8,592.59</b>	8,733.53
Intangible assets	<b>108.90</b>	60.19
<b>TOTAL</b>	<b>8,701.49</b>	8,793.72

(₹ Lakhs)

	As at March 31, 2014	As at March 31, 2013
<b>11. Non-current investments</b>		
(At cost, unless otherwise stated)		
<b>A. Trade (Unquoted)</b>		
<b>Investments in equity instruments of other entities</b>		
Andhra Pradesh Gas Power Corporation Limited		
1,340,000 (March 31, 2013 - 1,340,000) equity shares of ₹10 each	1,538.37	1,538.37
<b>Total trade - A</b>	<b>1,538.37</b>	<b>1,538.37</b>
<b>B. Other investments</b>		
<b>Investments in subsidiary (unquoted)</b>		
IP India Foundation		
50,000 (March 31, 2013: Nil) units of ₹10 each	5.00	—
<b>TOTAL (I)</b>	<b>5.00</b>	<b>—</b>
<b>Investments in equity instruments of other entities (unquoted)</b>		
Somar Granites Private Limited		
30,000 (March 31, 2013: 30,000) equity shares of ₹10 each	3.00	3.00
Kedia Distillery Limited		
212,800 (March 31, 2013: 212,800) equity shares of ₹10 each	61.71	61.71
<b>TOTAL (II)</b>	<b>64.71</b>	<b>64.71</b>
<b>Investments in mutual fund (quoted)</b>		
UTI Services Industries Fund - Dividend Plan		
Nil (March 31, 2013: 321,759.706) units of ₹10 each	—	183.27
<b>TOTAL (III)</b>	<b>—</b>	<b>183.27</b>
<b>Total other investments - B (I + II + III)</b>	<b>69.71</b>	<b>247.98</b>
<b>TOTAL (A + B)</b>	<b>1,608.08</b>	<b>1,786.35</b>
Less: Provision for diminution in value of investments	64.71	183.71
<b>TOTAL</b>	<b>1,543.37</b>	<b>1,602.64</b>
Aggregate amount of quoted investments	—	183.27
Aggregate market value of quoted investments	—	87.27
Aggregate amount of unquoted investments	1,608.08	1,603.08

	As at March 31, 2014	As at March 31, 2013
<b>12A. Long-term loans and advances</b>		
(Unsecured, considered good unless otherwise stated)		
Capital advances		
Considered good	321.49	2,788.47
Considered doubtful	—	22.28
	321.49	2,810.75
Less: Provision for doubtful advances	—	22.28
	321.49	2,788.47
Security deposits	419.45	490.54
Loans and advances to employees	11.69	31.02
Prepaid expenses	78.90	7.13
Advance income tax [Net of provision for ₹1473.02 (March 31, 2013: ₹1,391.86)]	1,478.48	1,350.71
MAT credit entitlement	2,942.85	2,942.85
Balances with government authorities	1,279.01	1,090.01
<b>TOTAL</b>	<b>6,531.87</b>	<b>8,700.73</b>

## 12B. Short-term loans and advances

(Unsecured, considered good unless otherwise stated)		
Security deposits		
Considered good	12.31	34.13
Considered doubtful	8.38	—
	20.69	34.13
Less: Provision for doubtful deposits	8.38	—
	12.31	34.13
Loans and advances to employees	160.38	131.42
Prepaid expenses	188.94	172.03
Balances with government authorities:		
CENVAT credit receivable	1,724.36	1,711.58
Service tax credit receivable	83.72	165.35
Customs receivable	0.17	102.58
VAT credit receivable	309.37	149.50
Advances to material suppliers/contractors		
Considered good	3,223.79	2,382.39
Considered doubtful	63.77	72.98
	3,287.56	2,455.37
Less: Provision for other doubtful loans and advances	63.77	72.98
	3,223.79	2,382.39
Others	940.00	489.69
<b>TOTAL</b>	<b>6,643.04</b>	<b>5,338.67</b>



(₹ Lakhs)

	As at March 31, 2014	As at March 31, 2013
<b>13A. Other non-current assets</b>		
Margin money deposits with banks*	12.62	—
Interest accrued on margin money deposits with banks	0.71	—
<b>TOTAL</b>	<b>13.33</b>	<b>—</b>
* Represents margin money deposits with maturity of more than twelve months from the balance sheet date		
<b>13B. Other current assets</b>		
Accruals		
Interest accrued on deposits	27.47	25.78
Others		
Other receivables (Refer Note 28)	183.32	68.73
Fixed assets held for sale	43.54	1.91
	226.86	70.64
<b>TOTAL</b>	<b>254.33</b>	<b>96.42</b>
<b>14. Inventories</b>		
(At lower of cost and net realisable value)		
Raw material	5,909.46	3,692.44
Goods-in-transit	136.68	63.81
Work-in-progress	1,957.96	1,016.54
Finished goods (other than those acquired for trading)	4,722.47	2,485.35
Stock-in-trade (acquired for trading)	0.45	21.30
Stores and spares	8,029.63	6,587.40
Goods-in-transit	7.68	612.47
<b>TOTAL</b>	<b>20,764.33</b>	<b>14,479.31</b>
<b>15. Trade receivables</b>		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
- Secured, considered good	13.47	15.35
- Doubtful	78.59	79.19
	92.06	94.54
Less: Provision for doubtful receivables	78.59	79.19
	13.47	15.35
Other Trade receivables		
- Secured, considered good	1,516.74	1,326.19
- Unsecured, considered good	4,305.25	3,216.34
- Doubtful	9.55	4.63
	5,831.54	4,547.16
Less: Provision for doubtful receivables	9.55	4.63
	5,821.99	4,542.53
<b>TOTAL</b>	<b>5,835.46</b>	<b>4,557.88</b>



	As at March 31, 2014	As at March 31, 2013
<b>16. Cash and bank balances</b>		
<b>Cash and cash equivalents</b>		
Cash in hand	0.78	7.16
Cheques, drafts on hand	2.01	—
Balances with banks		
in current accounts	323.68	204.46
in EEFC accounts	1.01	0.01
in demand deposit accounts	475.00	850.00
Others - Remittance in transit	659.80	433.64
<b>Total cash &amp; cash equivalents</b>	<b>1,462.28</b>	<b>1,495.27</b>
<b>Other bank balances</b>		
In earmarked accounts		
Balances held as margin money, gurarantees and other commitments	108.64	152.13
Unpaid dividend accounts	6.88	9.00
<b>Total other bank balances</b>	<b>115.52</b>	<b>161.13</b>
<b>TOTAL</b>	<b>1,577.80</b>	<b>1,656.40</b>

**Notes:**

- Cash and cash equivalents as above meet the definition of cash and cash equivalents as per Accounting Standard 3 (AS 3) - Cash Flow Statements.
- Margin money deposits amounting to ₹12.62 [As at March 31, 2013: ₹Nil] which have a maturity of more than 12 months from the Balance Sheet date have been classified under other non-current assets (Refer Note 13 (a)).

	Year ended March 31, 2014	15 month period ended March 31, 2013
<b>17. Revenue from operations</b>		
Revenue from sale of products	<b>114,983.05</b>	129,164.44
Revenue from sale of traded goods	<b>809.95</b>	601.83
Other operating revenue		
Sale of saplings	<b>174.76</b>	103.60
Revenue from operations (Gross)	<b>115,967.76</b>	129,869.87
Less: Excise duty*	<b>6,802.57</b>	6,819.52
<b>TOTAL</b>	<b>109,165.19</b>	<b>123,050.35</b>

\* Excise duty related to opening and closing stocks has been disclosed in Note 23

	Year ended March 31, 2014	15 month period ended March 31, 2013
<b>18. Other income</b>		
Interest income	154.10	200.71
Dividend income from long-term investments	—	0.15
Scrap and other sales	582.99	1,443.21
Profit on sale of fixed assets (Net)	2.65	27.10
Insurance and other claims	51.30	50.58
Gain on sale of long-term investments	21.35	7.66
Liabilities/provision no longer required written back	436.24	472.95
Miscellaneous income	76.65	108.90
<b>TOTAL</b>	<b>1,325.28</b>	<b>2,311.26</b>
<b>19. Cost of materials consumed</b>		
Opening stock	3,692.44	1,996.23
Add: Purchases	48,726.99	39,345.56
	<b>52,419.43</b>	<b>41,341.79</b>
Less: Closing stock	5,909.46	3,692.44
<b>TOTAL</b>	<b>46,509.97</b>	<b>37,649.35</b>
<b>20. Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
Opening work-in-progress	1,016.54	1,413.95
Opening finished goods and stock-in-trade	2,506.65	10,058.82
	<b>3,523.19</b>	<b>11,472.77</b>
Closing work-in-progress	1,957.96	1,016.54
Closing finished goods and stock-in-trade	4,722.92	2,506.65
	<b>6,680.88</b>	<b>3,523.19</b>
Net (Increase)/decrease	<b>(3,157.69)</b>	<b>7,949.58</b>
<b>21. Employee benefits expense</b>		
Salaries, wages & bonus	9,074.91	8,988.85
Contribution to provident and other funds	578.08	1,248.34
Workmen & staff welfare expenses	1,163.61	996.66
<b>TOTAL</b>	<b>10,816.60</b>	<b>11,233.85</b>
<b>22. Finance costs</b>		
Interest expense on		
Borrowings	3,899.74	4,480.22
Deposits	161.04	252.70
Others	18.50	93.56
Bank and finance charges	259.32	709.77
<b>TOTAL</b>	<b>4,338.60</b>	<b>5,536.25</b>

	Year ended March 31, 2014	15 month period ended March 31, 2013
<b>23. Other expenses*</b>		
Consumption of stores, spares and chemicals	22,714.66	24,987.96
Consumption of packing materials	2,900.71	2,881.81
Increase/(decrease) of excise duty on inventories	96.31	(213.85)
Power and fuel	8,774.00	11,478.26
Repairs and maintenance		
Buildings	302.35	346.82
Plant and machinery	3,278.58	3,002.22
Others	302.56	384.42
Processing charges	447.37	433.17
Commission and discount on sales	3,853.20	3,974.11
Forwarding, transportation and other sales expenses	568.37	787.76
Rates and taxes	365.42	458.56
Rent (Refer Note 29)	328.02	340.72
Insurance	396.33	443.21
Legal and professional charges	2,089.62	2,545.18
Provision for doubtful trade receivables and advances (Net)	12.70	40.31
Bad trade receivables and advances written-off	33.55	7.46
Payment to auditors (Refer Note 36)	62.59	43.05
Directors' sitting fees	7.40	11.90
Exchange differences (Net)	157.37	200.50
Loss on discarded fixed assets	35.03	272.21
Miscellaneous expenses	1,481.72	1,624.03
<b>TOTAL</b>	<b>48,207.86</b>	<b>54,049.81</b>

\* Net of ₹179.09 (March 31, 2013: ₹Nil) reimbursed from International Paper (India) Private Limited.

## 24. Tax expense/(benefit)

Current tax expense	–	222.89
Less: MAT credit	–	(223.16)
Short/(excess) provision for tax relating to prior years	81.16	32.95
Net current tax expense	81.16	32.68
Deferred tax expense/(benefit)	(1,562.42)	264.93
<b>TOTAL</b>	<b>(1,481.26)</b>	<b>297.61</b>

**25. Contingent liabilities and commitments**

	As at March 31, 2014	As at March 31, 2013
<b>Contingent liabilities</b> (to the extent not provided for)		
i. Guarantees and Letters of Credit		
Guarantees issued by banks	1,651.81	765.84
Letters of credit outstanding	446.51	445.62
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	120.44	121.50
Excise matters	7,539.16	7,687.59
Sales tax matters	372.95	373.81
Other matters	330.24	226.24
Vacant land tax	435.85	400.98
Electricity duty	4,154.72	3,912.75
(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 (March 31, 2013: ₹76.98) has been grouped under loans and advances. The appeal filed by APTRANSCO is pending before A.P. High Court in which other companies similarly placed are made respondents.	87.66	87.66
<b>Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	1,134.34	3,998.27
Export Commitment under the Export Promotion Capital Goods (EPCG) Scheme	42,107.96	35,197.75

**26. Employee benefit plans**

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

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

	Year ended March 31, 2014	15 month period ended March 31, 2013
Opening defined benefit obligation	2,504.78	2,055.02
Current service cost	98.04	120.47
Interest cost	164.32	188.21
Benefits paid	(327.45)	(450.03)
Actuarial losses/(gain)	37.36	591.11
Obligations at the end of the year	2,477.05	2,504.78

**ii. Change in plan assets**

	As at March 31, 2014	As at March 31, 2013
Opening fair value of plan assets	2,521.03	1,937.44
Expected return on plan assets	179.23	212.11
Actuarial gain/(losses)	44.73	81.60
Contribution by employer	65.00	739.91
Benefits paid	(327.45)	(450.03)
Closing fair value of plan assets	2,482.54	2,521.03

**iii. Amount recognized in Balance Sheet**

	As at March 31, 2014	As at March 31, 2013
Present value of funded obligations	2,477.05	2,504.78
Fair value of plan assets	2,482.54	2,521.03
Net asset/(liability)	5.49	16.25

**iv. Expenses recognized in the Statement of Profit and Loss**

	Year ended March 31, 2014	15 month period ended March 31, 2013
Current service cost	98.04	120.47
Interest on defined benefit obligation	164.32	188.21
Expected return on plan assets	(179.23)	(212.11)
Net actuarial losses/(gains) recognized	(7.37)	509.51
Amount included in employee benefits expense	75.76	606.08

**v. Investment details**

		As at March 31, 2014	As at March 31, 2013
Insurance managed funds	%	100.00	100.00
<b>TOTAL</b>	%	<b>100.00</b>	100.00

**vi. Summary of actuarial assumptions**

		As at March 31, 2014	As at March 31, 2013
Discount rate	%	9.20	7.90
Estimated rate of return on plan assets	%	7.50	7.50
Salary escalation rate	%	7.00	10.00 for first year and 7.00 thereafter
Mortality rate	%	Indian Assured Lives Mortality (IALM) (2006-08) Ult. Modified	Indian Assured Lives Mortality (IALM) (2006-08) Ult. Modified
Attrition rate	%	Age	Age
		Rate p.a.	Rate p.a.
		21-30	21-30
		5	5
		31-40	31-40
		3	3
		41 & above	41 & above
		2	2

**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**

	<b>March 31, 2014</b>	March 31, 2013	December 31, 2011	March 31, 2011	March 31, 2010
Defined benefit obligation	<b>2,477.05</b>	2,504.78	2,055.02	1,915.64	1,824.64
Plan assets	<b>2,482.54</b>	2,521.03	1,937.44	2,142.50	2,081.10
Surplus/(deficit)	<b>5.49</b>	16.25	(117.58)	226.86	256.46
Experience gain/(loss) adjustments on plan liabilities	<b>(275.57)</b>	133.38	316.03	(1,724.68)	–
Experience gain/(loss) adjustments on plan assets	<b>44.73</b>	81.14	(185.31)	–	–
Actuarial gain/(loss) due to change in assumptions	<b>238.21</b>	–	–	–	–

**b. Superannuation**

The Company contributed ₹33.52 (Previous period: ₹83.94) to the superannuation fund maintained with Life Insurance Corporation of India during the period ended March 31, 2014.

**c. Provident fund**

The Company contributed ₹365.23 (Previous period: ₹396.74) to the Provident Fund trust maintained by the Company and ₹103.57 (Previous period: ₹149.98) to Regional Provident Fund Commissioner.

The Guidance on Implementing AS 15, Employee Benefits states that benefit involving employer established provident funds, require interest shortfalls to be recompensed. Accordingly, the Company has provided ₹Nil during the year (Previous period: ₹Nil) 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 paper board. Considering the core activities of the Company, the management is of the view that manufacture and sale of pulp, paper and paper boards 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:

	<b>Domestic</b>		<b>Overseas*</b>		<b>Total</b>	
	<b>Year ended March 31, 2014</b>	15 month period ended March 31, 2013	<b>Year ended March 31, 2014</b>	15 month period ended March 31, 2013	<b>Year ended March 31, 2014</b>	15 month period ended March 31, 2013
Segment revenue	<b>107,273.28</b>	113,087.18	<b>8,694.48</b>	16,782.69	<b>115,967.76</b>	129,869.87
Segment assets	<b>131,207.13</b>	119,941.06	<b>597.60</b>	815.39	<b>131,804.73</b>	120,756.45

\* Overseas segment revenue includes export incentives received by virtue of exports.

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

**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. Subsidiary company**

IP India Foundation

**iv. Fellow subsidiaries where transactions exist**

International Paper (India) Private Limited

International Paper Inc., TN USA

International Paper Procurement (Shanghai) Limited

International Paper Investment (Shanghai) Limited

International Paper USA, Memphis

IP Singapore Holding PTE Limited

International Paper Nordic Sales Company

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

The Employee's Provident Fund of The Andhra Pradesh Paper Mills 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	From October 15, 2011 to March 1, 2012
	Executive Chairman	From March 2, 2012 to July 13, 2012

**vii. Non-Executive/Independent Directors**

Name of the person	Relationship	Status
Mr. Praveen P. Kadle	Director	From January 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. 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. Shiela Pallerne Vinczeller	Director	From March 31, 2014
Mr. Brett A. Mosely	Director	From October 14, 2011 to February 28, 2014
Mr. Shreeyash Bangur	Director	From October 14, 2011 to July 12, 2012

**b. Summary of significant related party transactions**

	Name of the related party	Year ended March 31, 2014	15 month period ended March 31, 2013
Purchase of goods	International Paper	84.24	—
	International Paper Nordic Sales	179.29	—
	IP Singapore Holding PTE Limited	285.65	—
	International Paper Inc., TN USA	355.74	16.95
	International Paper USA	1,584.07	—
Consultancy services	International Paper USA	133.13	—
Service charges	International Paper Investment (Shanghai) Limited	30.79	—
	International Paper Procurement (Shanghai) Limited	305.04	—
Professional charges - Management contracts	International Paper (India) Private Limited	2,612.63	2,077.33
Rent received	International Paper (India) Private Limited	38.00	41.17
Reimbursement of expenses	International Paper (India) Private Limited	201.23	68.73
Managerial remuneration	Key management personnel (Refer Note below)	242.80	243.97
	Other Directors	7.40	11.90
Foreign currency loan received	IP Singapore PTE Limited	2,859.26	4,055.68
Interest paid on foreign currency loan	IP Singapore PTE Limited	228.90	63.61
Capital advance made	International Paper Procurement (Shanghai) Limited	136.34	292.72
Advances received	International Paper (India) Private Limited	—	114.00
Contribution to PF	The Employees Provident Fund of The Andhra Pradesh Paper Mills Limited	365.23	396.74
Investment made	IP India Foundation	5.00	—

**Note**

Represents remuneration paid to Mr. Rampraveen Swaminathan (MD & CEO) and Mr. P.K. Suri, Director - Operations (Previous year) 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.

**c. Amounts due from/due to related parties**

	Name of the related party	As at March 31, 2014	As at March 31, 2013
<b>Due from related parties</b>			
Capital advances	International Paper Procurement (Shanghai) Limited	—	142.52
Advances	International Paper Nordic Sales	89.96	—
Advance receivable	International Paper (India) Private Limited	183.32	68.73
<b>Due to related parties</b>			
Advances received	International Paper (India) Private Limited	34.83	72.83
Interest payable on foreign currency loan	IP Singapore PTE Limited	54.30	31.68
Foreign currency loan payable	IP Singapore PTE Limited	7,490.00	4,071.75
Trade payables	International Paper Inc., TN USA	—	16.73
	International Paper (India) Private Limited	1,273.56	2,205.71
	International Paper USA	144.95	—
	IP Investment (Shanghai) Limited	30.79	—
	IP Procurement (Shanghai) Limited	23.22	—

**29. Leases**

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

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

	As at March 31, 2014	As at March 31, 2013
Not later than 1 year	34.47	34.47
Later than 1 year and not later than 5 years	187.99	181.72
More than 5 years	454.31	495.04

**30. Loss per share**

	Year ended March 31, 2014	15 month period ended March 31, 2013
Loss for the year	(4,161.21)	(2,370.23)
Weighted average number of equity shares outstanding during the period (Numbers) - Basic and Diluted	39,770,039	39,770,039
Loss per share (Face value ₹10 per share) Basic and Diluted (₹)	(10.46)	(5.96)

**31. Raw materials consumed**

	Year ended March 31, 2014	15 month period ended March 31, 2013
Hardwood	35,704.93	28,938.76
Waste paper cuttings, wood pulp, etc.	10,788.87	8,436.32
Others*	16.17	274.27
<b>TOTAL</b>	<b>46,509.97</b>	<b>37,649.35</b>

\*Include items, which do not individually exceed 10% of total consumption.

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

	Year ended March 31, 2014		15 month period ended March 31, 2013	
	₹	% of total consumption	₹	% of total consumption
<b>Raw materials</b>				
Imported	8,155.26	17.53	6,683.48	17.75
Indigenous	38,354.71	82.47	30,965.87	82.25
<b>TOTAL</b>	<b>46,509.97</b>	<b>100.00</b>	<b>37,649.35</b>	<b>100.00</b>
<b>Stores, chemicals, spares and packing materials</b>				
Imported	3,696.61	14.43	3,825.35	13.73
Indigenous	21,918.76	85.57	24,044.42	86.27
<b>TOTAL</b>	<b>25,615.37</b>	<b>100.00</b>	<b>27,869.77</b>	<b>100.00</b>

**33. CIF value of imports**

	Year ended March 31, 2014	15 month period ended March 31, 2013
Raw materials	7,552.52	5,275.84
Stores and spares	4,217.74	4,218.95
Capital goods	5,419.48	1,216.52
Others	355.74	21.30
<b>TOTAL</b>	<b>17,545.48</b>	<b>10,732.61</b>

**34. Earnings in foreign currency (on accrual basis)**

	Year ended March 31, 2014	15 month period ended March 31, 2013
Exports on FOB basis	7,669.85	11,747.59
<b>TOTAL</b>	<b>7,669.85</b>	<b>11,747.59</b>

**35. Expenditure in foreign currency**

	Year ended March 31, 2014	15 month period ended March 31, 2013
Repairs and maintenance	282.63	53.23
Interest	238.82	508.57
Travelling	30.41	39.37
Agency commission	5.87	30.08
Membership subscriptions	0.50	0.47
<b>TOTAL</b>	<b>558.23</b>	<b>631.72</b>

**36. Payment to auditors**

	Year ended March 31, 2014	15 month period ended March 31, 2013
Statutory audit fees	26.00	21.00
Fee for limited reviews	9.00	12.00
Taxation services	16.00 <sup>a</sup>	—
Certification services	10.00	8.75
Out-of-pocket expenses	1.59	1.30 <sup>b</sup>
<b>TOTAL</b>	<b>62.59</b>	<b>43.05</b>

<sup>a</sup> Includes tax audit fees for the 15 month period ended March 31, 2013 of ₹8;

<sup>b</sup> Pertains to amounts paid to erstwhile auditors.

- 37.** The amount due to micro and small enterprises as defined in 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, 2014 are as under:

	As at March 31, 2014	As at March 31, 2013
Principal amount remaining unpaid to supplier at the end of the year	100.42	80.23
Interest due thereon remaining unpaid to supplier at the end of the year	12.72	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	12.72	11.65

**38. Derivative instruments**

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

**As at March 31, 2014**

Currency	Buy/Sell	No. of contracts	Foreign currency (in Million USD)	₹
USD	Buy	4	1.16	719.76

**As at March 31, 2013**

Currency	Buy/Sell	No. of contracts	Foreign currency (in Million USD)	₹
USD	Buy	1	2.33	1,397.20

**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, 2014 (All figures in Lakhs)			As at March 31, 2013 (All figures in Lakhs)		
	USD	Euro	₹	USD	Euro	₹
Trade receivables	9.98	—	597.60	15.02	—	815.39
Trade payables	7.65	6.51	465.08	7.25	0.10	400.07
Advances received from customers	0.41	—	25.09	3.00	—	162.76
Bank balance	0.02	—	1.46	0.10	—	5.67
Term loans	183.35	—	10,986.58	173.86	—	9,439.00
Interest payable	1.52	—	91.04	1.96	—	106.42



(₹ Lakhs)

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

	Year ended March 31, 2014	15 month period ended March 31, 2013
Employee benefits expense	4.62	65.26
Finance cost (net)	37.55	201.73
Forex (Gain)/Loss	1,157.74	(17.61)
Rates & taxes	16.53	2.59
Travel and other expenses	5.42	71.79


40. During the period ended December 31, 2011, the Company paid ₹415.99 towards managerial remuneration to the erstwhile Directors, 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 Members at the Annual General Meeting held on March 22, 2012 approved the waiver of recovery of excess remuneration paid to the Directors, subject to Central Government's approval. The requisite application was made to the Central Government on April 17, 2012 and the Company received Government's approval towards waiver of recovery of excess remuneration paid to erstwhile Managing Director and Executive Directors. However, the Ministry of Corporate Affairs (MCA) has rejected the application made by the Company for the waiver of recovery of excess remuneration of ₹70.07 paid to a Promoter Director. The Company has obtained legal advice in respect of the same and made a representation to the MCA to reconsider the said rejection.
41. During the 15 months period ended March 31, 2013, the Company based on its internal assessment of certain disputed matters relating to prior years and based on the legal opinion obtained on such matters, made a provision of ₹1,619.32, being ₹1,561.31 towards interest and ₹58.01 towards taxes. The same was disclosed under exceptional items.
42. Disclosure as per Clause 32 of the Listing Agreement:
- Maximum balance outstanding during the year ₹Nil (March 31, 2013: ₹Nil)
  - Balance as at March 31, 2014 ₹Nil (March 31, 2013: ₹Nil)
43. The name of the Company has been changed from 'The Andhra Pradesh Paper Mills Limited' to 'International Paper APPM Limited' with effect from December 16, 2013.
44. During the year, the Company has incorporated a subsidiary, IP India Foundation for its Corporate Social Responsibility activities. The same is not considered for consolidation, as the objective of control over this entity is not to obtain economic benefits from its activities.
45. The Board of Directors approved the extension of the financial period 2013 of the Company by a period of three months i.e. 15 months period ended March 31, 2013. Hence, the figures for the current year are not comparable with those of the previous period.
46. Previous period's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosures.

for International Paper APPM 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

Hyderabad  
 April 22, 2014



## Proxy form

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



### INTERNATIONAL PAPER APPM LIMITED

(CIN: L21010AP1964PLC001008)

(Formerly known as The Andhra Pradesh Paper Mills Limited)

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

Email: prabhakar.cherukumudi@ipaper.com | Website: www.ipappm.com

### 50th Annual General Meeting - August 27, 2014

Name of the Member(s)

Registered address

Email

Folio No./Client ID 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

DP ID 

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

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

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

Address : .....

..... Signature : \_\_\_\_\_

Or failing him/her

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

Address : .....

..... Signature : \_\_\_\_\_

Or failing him/her

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

Address : .....

..... Signature : \_\_\_\_\_

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 50th Annual General Meeting of the Company, to be held on Wednesday, August 27, 2014 at 11.30 a.m. at Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103, East Godavari District, Andhra Pradesh and at any adjournment thereof in respect of such Resolutions as are indicated below:

Resolution number	Resolution	Vote		
		For	Against	Abstain
Ordinary business				
1	Adoption of financial statements of the Company for the financial year ended March 31, 2014, the reports of Board of Directors and Auditors thereon.			
2	Appointment of a Director in place of Mr. Thomas G. Kadien, who retires by rotation and is eligible for re-appointment			
3	Appointment of Deloitte Haskins & Sells as Auditors of the Company			
Special business				
4	Appointment of Mr. M.S. Ramachandran as an Independent Director upto March 31, 2019			
5	Appointment of Ms. Ranjana Kumar as an Independent Director upto March 31, 2019			
6	Appointment of Mr. Praveen P. Kadle as an Independent Director upto March 31, 2019			
7	Appointment of Mr. M.K. Sharma as an Independent Director upto March 31, 2019			
8	Appointment of Mr. Adhiraj Sarin as an Independent Director upto March 31, 2019			
9	Appointment of Mr. Milind Sarwate as an Independent Director upto March 31, 2019			
10	Appointment of Ms. Shiela Pallerne Vinczeller as a Director liable to retire by rotation.			
11	Borrowing of moneys in excess of the aggregate of the paid up share capital and free reserves of the Company			
12	Creation of mortgage and/or charge and/or hypothecation on movable and/or immovable properties of the Company			
13	Remuneration of Cost Auditors for the financial year ending March 31, 2015			

Signed ..... day of ..... 2014

.....

Signature of the member

.....

Signature of the proxy holder(s)

Affix revenue stamp of not less than Re.0.15

Notes:

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

## Attendance slip



### INTERNATIONAL PAPER APPM LIMITED

(CIN: L21010AP1964PLC001008)

(Formerly known as The Andhra Pradesh Paper Mills Limited)

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

Email: prabhakar.cherukumudi@ipaper.com | Website: www.ipappm.com

### 50th Annual General Meeting - August 27, 2014

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

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Number of shares held

--	--	--	--	--	--	--	--	--	--

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

I hereby record my presence at the 50th Annual General Meeting of the Company held at Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103, East Godavari District, Andhra Pradesh on Wednesday, August 27, 2014 at 11.30 a.m.

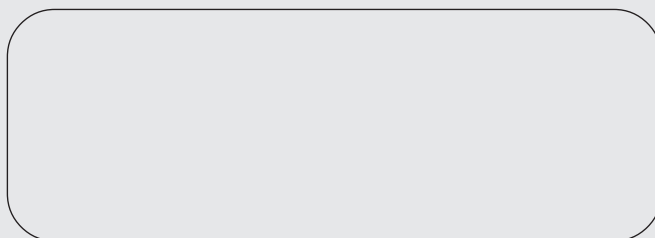
.....  
Name of the Member/proxy  
(in BLOCK Letters)

.....  
Signature of the Member/proxy

Note: Please fill up the attendance slip and hand it over at the entrance of the meeting hall.

Members are requested to bring their copies of the Annual Report to the Annual General Meeting.

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