

July 28, 2016

1) Department of Corporate Services,
BSE Limited
P.J. Towers, Dalal Street,
MUMBAI : 400 001

2) Listing Agreement,
National Stock Exchange of India Limited
"Exchange Plaza",
Bandra-Kurla Complex,
Bandra (E),
MUMBAI :: 400051

BSE Scrip Code No. 502330

(Symbol – APAPPM; Series – EQ)

Dear Sir(s),

Pursuant to Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we send herewith a copy of Annual Report of the Company for the financial year ended March 31, 2016, as approved and adopted by the Members of the Company in the Annual General Meeting held on July 27, 2016.

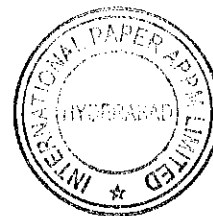
Please acknowledge the receipt.

Thanking you,

Yours faithfully,
For INTERNATIONAL PAPER APPM LIMITED

C. Prabhakar

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



Encl: as above

INTERNATIONAL PAPER APPM LIMITED

(Formerly known as The Andhra Pradesh Paper Mills Limited)

(Corporate Identity Number: L21010AP1964PLC001008)

Corp. Office: Krishe Sapphire Building, 8th Floor, 1-89/3/B40 to 42/KS/801,
Hi-tech City Main Road, Madhapur, Hyderabad – 500 081, India.

Tel : +91-40-3312 1000 Fax: +91-40-3312 1010 website: www.ipappm.com

Regd. Office: Rajahmundry – 533 105, East Godavari Dist., Andhra Pradesh, India.

An ISO 9001, ISO 14001 and OHSAS 18001 Certified Company



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Highlights 2015-16

Cut-size sales increased by 38%

Paper production capacity
utilized 90.4%

Coal consumption per ton of
paper came down by 5.1%

Reduced Lost Work Incident Rate
(LWIR) by 5%

Plantation of Subabul,
Casuarina & Eucalyptus
improved year to date by 14.8%

EBIDTA higher by 37.6%

Exports grew by 46%

Water consumption per ton of
paper reduced by 7.2%

Power consumption per ton of
paper produced lower by 9.4%

Saplings distributed exceeded
the previous year by 2.2%

Enhanced green cover by 14.5%

EPS increased from ₹0.06 to ₹9.3



This is IP APPM

Corporate Overview

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

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

The Company employs over 2,500 people. The manufacturing facilities comprise of two mills at Rajahmundry and Kadiyam, both located in the East Godavari District, and conversion center at SN Palem in Krishna District, all located in the State of Andhra Pradesh.

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 share owners. To achieve this goal, the Company is focused on excellence on its three drivers - People, Customers and Operations, while maintaining high standards of integrity and safety in everything we do.



Our Vision: To become the top performing and most respected paper company in India

| Our Values | Business Objectives | Strategic Pr4 |
|--|---|---|
| <ul style="list-style-type: none"> ● We fulfill our commitments with the highest ethical standards ● We are focused on superior results to create value for our shareholders ● We are responsible towards our environment and our community | <ul style="list-style-type: none"> ● Meet our financial objectives ● Become the preferred choice of customers ● Create a great place to work | <ul style="list-style-type: none"> ● Focus on customer support excellence ● Achieve world class productivity ● Become the low cost producer ● Grow in profitable segments ● Create a performance culture |



Shaping Our Success



Dear shareholders and employees,

In 2015-16, we demonstrated that our people and our competitive manufacturing facilities can operate safely and sustainably, maintained strong position in market conditions and generated significant free cash flow, despite challenging economic and market conditions.

I am pleased with the Company's overall performance and confident in our ability to create value for all our stakeholders. We delivered solid financial results fuelled by our performance on safety, customer support, and focus on creating operational excellence and by creating a performance culture.

The Indian economy is on a strong growth trajectory. Fiscal stability remains high and inflation remains under control. Globally, softness in commodity prices has provided some short-term relief. Despite an improving macro-economic

environment, fresh investment and growth remained elusive. Several key reforms such as GST, land reforms, labor reforms have not made the progress we expected. Overall, we continue to believe that our country is on the verge of significant economic growth. Key initiatives such as Smart Cities & Make-In-India represent great long-term potential. During the year, the State of Andhra Pradesh has also shown strong progress in several areas and we have been fortunate to have a more business friendly environment closer to our manufacturing operations.

Despite the macro-economic environment, demand environment for Uncoated Free Sheet (UFS) remained challenging during 2015-16 with varying trends across different segments. We estimate annual demand growth of 2-3% across all grades of UFS. Domestic demand for UFS from printing & publishing has been weak during most of the year. Demand for cut-size paper remains strong, with an annual growth of 11-12%. Imports continue to grow at a rapid pace, from ASEAN regions given a favorable duty environment.

During the year, we continued our transformation process. With a renewed focus on improving our profitability and cash generation, we focused on key initiatives which will help **Shape our Success**. We demonstrated a strong growth in earnings, recording a strong improvement in EBIDTA (Earnings before interest, depreciation, amortization and tax), significantly improved our profitability and posted a net profit of ₹36.9 crore. This would not have been possible without the dedication and passion of our 2,500 employees. I thank each and every one of them.

We invested in **Safety** by enhancing our processes, infrastructure and people behaviours. We have created a culture to stay ahead of the curve and live up to our own strong commitment to being a 'safety-at-any-cost' company. During

the year, we continued to improve our TIR (Total Incident Ratio) and Lost Work Day Incident Ratio (LWIR) and achieved our best performance to date on these metrics. The LIFE program we initiated in 2013 has started showing results, but we need to remain focused on this journey. I believe safety is our core leadership responsibility, and we will remain focused on this.

The year will also go down as a milestone on our endeavour to achieve **Customer support excellence**. We maintained a high 'on-time-in-full' (OTIF) performance as well as product quality. A competitive edge was created by offering consistent quality and supplies, meeting specific customer requirements, both on product as well as on reliability, and overall be the best-in-class in each segment. We aligned our Good-Better-Best product development strategy to address the growing trends in business and education segments. We launched new products, giving us a foothold in the pharma and food segment. We continue to grow our cut-size volumes and successfully expanded our exports business. We continue to invest in customer relationship management - we launched a new mobile app, participated in PaperEx 2015 and developed deeper relationships with key accounts.

As part of our strategic focus on long-term success, we scaled up on our **Operational excellence**. We achieved consistently high throughput volume of pulp, lowered conversion costs, optimized on chemical utilization, reduced outage costs and pared down machine based downtime. We increased productivity, reduced fiber loss, conserved natural resources and lowered carbon footprint. Continuous pursuit of best practices and deliberate improvements in excellence initiatives has been integrated in our operations to make them robust and long-lasting. Several capital projects focused on cost reduction and environmental performance have been completed during the year.

I am encouraged by the continued execution of our **Fiber & non fiber sourcing** initiatives. During the year, we continued to expand our forestry program. Importantly during the year

we launched a new digital program to support our farmer engagement and connectivity efforts, called Rythukosam.com. Combined with a smart card program, the initiative will enable us to enhance our life cycle farmer engagement model. During the year, we also saw significant results in our cost reduction efforts.

I am pleased to share that our **Deliberate Improvement** initiatives are making strong progress. During the year, we continued to expand our Six Sigma program and commenced implementation of the Global Manufacturing System of International Paper. These initiatives are key to developing a culture of continuous improvement, delivering savings & cost avoidance of over 2% year-on-year.

I am encouraged by the organizational convergence on **Talent Development** which shall be our growth driver. In 2015-16, we leveraged our earlier investments in developing infrastructure and processes for talent development. There is a sense of strong performance and positive outlook across all levels of employees, assuring increased accountability and a promise of delivering superior results. Our talent management strategy is decisive on giving the employees the opportunity to develop, both professionally and personally, by competency and leadership development. Diversity in people is becoming increasingly valuable.

During the year, we completed a key business transformation project - **FISCM**, which comprised reengineering our business processes and IT enabling them with an upgraded version of SAP. The project has been successfully completed and we should benefit through better customer service, inventory management, inventory tracking, operational efficiencies and improved financial controls.

IP APPM continues to demonstrate our commitment to our local **Community**. We continue to support the farmers by offering high-yielding fiber species, and counsel, guide and hand hold them to improve on their return on investment and land productivity. We shall continue to add to their quality of life.

IP APPM is also facilitating and improving the lives of people in the neighbourhood by working for community development, resolute on three pillars - **Education, Engagement & Environment**. We used our insights into the challenges the community, especially children, face at the local level and tailored plans to address them. Recent recognition demonstrates that our innovative efforts here are successful.

I am pleased to share that we have partnered with the Indian Institute of Forest Management (IIFM) to set up the **IIFM-IP Paul Brown Center of Excellence**. The initiative will support the development of fundamental research and education in forest management, with India's premier forestry management institute.

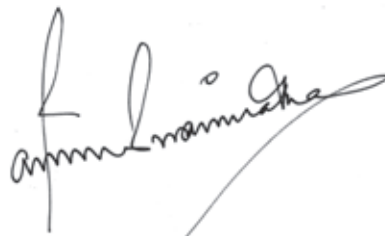
Today, we have a renewed organization but going forward, we will continue to invest in our stated priorities and create long-term value for our stakeholders. The first priority shall always be to ensure that every team member is accountable for his or her safety, where each employee leads by example and intervenes when he or she sees unsafe behaviour or conditions.

We shall continue to focus on the things we can control - serving our customers, strengthening our people and communities,

operating safely, responsibly, and sustainably, and deliberately improving our operations. All these efforts will help us to not only achieve sustainable success but also realize strong cash flow for us to maintain a healthy balance sheet and enable long-term growth.

I remain confident about IP APPM's long-term future with the progress that we are making in all key areas of the business. Most importantly we are creating a culture based on **doing the right things, the right way**. This foundation of high ethical standards, transparent operations and strong governance will hold our Company in good stead for the future.

I would also like to thank our distributors, bankers and all of you for continued trust and confidence in us.



RAMPRAVEEN SWAMINATHAN
Chairman & Managing Director



2015-16

Sustainability Score Card

INTERNATIONAL PAPER APPM LIMITED

Reduce Water Usage



2016

Water consumption reduced by 7%

Energy Efficiency



Power consumption reduced 9%
Steam consumption saved 3%
Coal consumption lowered 5%

Reduction in GHG Emissions

CO₂

CO₂

CO₂

Working towards absolute reduction in GHG emissions associated with the production of our products

Air Quality



Stack emissions reduced; SO₂ lowered by 17%; NO_x lowered by 34%;
Particulate matter reduced by 5%

Reduce Waste

Installed bark firing system; ETP sludge being fired, used as fuel, to fire the boilers, substituting for coal



Accident-free workplace

LWIR Improved by 5%



FSC Certified Fiber



Increased buying to 100%

Increase Fiber Efficiency



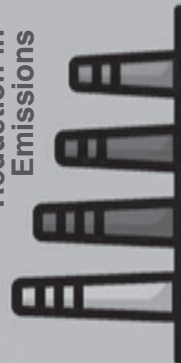
Improved fiber efficiency by 1%

Supply Chain Performance

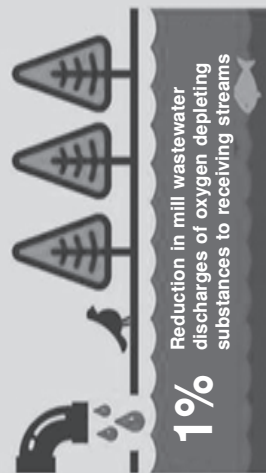


Establish baseline supply chain performance and implement plans to improve by 2017

Reduction in Emissions



Dust collection system installed in lime kiln area; continuous monitoring of on-line air quality system



1%

Reduction in mill wastewater discharges of oxygen depleting substances to receiving streams

Charitable Support

CSR spend was 1% of net profit; Continue to focus on Education, Engagement and Environment



Working for the Common Good

INTERNATIONAL PAPER APPM LIMITED

Recognition

Special Export Award

Recognition for export performance from CAPEXIL.



Best Management Award

Recognised for following good practices and maintaining industrial harmony by the Honorable Chief Minister of Andhra Pradesh, Shri N. Chandra Babu Naidu.

Parivartan Sustainability Leadership Award

Recognized for leadership in branding for sustainability.





Golden Globe Tiger

IP APPM honored for farm forestry initiatives in two categories: 'Best Sustainable Practice' and 'Best Green Excellence - Sustainability'.

Safety Award from FICCI

Appreciation from FICCI for good practices in safety systems by the Company's Unit:Kadiyam.



Global CSR Excellence & Leadership Award

Honored by World CSR Congress under two categories: 'Community Development' and 'Social Innovation'.

Customer Comes First

IP APPM responded quickly and professionally to what was a challenging time in the market during 2015-16. Customer interaction was stepped up and we listened to their needs. The results are telling: We grew in Western India, Andhra Pradesh and Telangana, which are our focus markets and, we believe, align well with our future strategy for domestic growth. Cut-size grew by 38% and we expanded our distribution in new markets and new geographies. We also expanded our export sales in the Middle East & Africa and achieved substantial growth of around 46% in exports.

This can be better appreciated when we recognize that demand for printing paper other than cut-size paper was soft for most part of the year and showed signs of improvement only in early 2016. Government buying was deferred/reduced. As prices were under pressure, customers delayed their purchases. Uncertainty of government policy of restraining private publishers in CBSE school books took a toll in the creamwave segment.

The financial year ended better than it started for IP APPM in the market, primarily because the Company responded to the

market needs by introducing customer service process improvements, including the following:

- Introduced mobile app to provide real time information to customers;
- Launched dealer engagement program - Paper Barons;
- Door-to-door delivery model introduced in cut-size varieties in Andhra Pradesh;
- Expanded our customer relationship management system and dealer visibility on KPIs;
- Technical support functioned in all regions, equipped with requisite tools; and
- Built exception report and KPIs to monitor order servicing to improve reliability.

We worked hard for, and with, the customers; everyone in the organization stayed focused on delivering additional value to customers; we shaped ourselves to improve our competitive position; the customer perceived consistent quality and





supplies; we took care that we are accepted as the best-in-class in our segments; our reliability improved with better communication and high 'on-time-in-full' (OTIF) performance; we did everything to enhance understanding of the customer experience; that is what gives IP APPM resilience in today's challenging marketplace.

We introduced a mobile app to raise the interaction with the customers. Our presence at the PaperEx 2015 added to our visibility and touch points. In order to connect with direct users, we conducted road shows. This helped the users to experience the feel and touch of our cut-size brands such as **Hammermill** and **Reflection**.

We aligned our product development strategy to address the growing trends in business and education segments. New products introduced catered to specific customer requirements and added to the value proposition especially to the pharma and food segments.

The school note book segment has moved from pencil writing to ball pen to gel pen writing. This change in consumer behavior

in the school note book segment has opened new avenues and created demand for papers with a property to resist ink spreading. Today, all major note book producers are using our **Saphia Print**, **Write choice** and **Skytone** papers (high quality non-surface sized Maplitho products) for this segment. In fact, this is an example of our Good-Better-Best choice, for our customers, offering a differentiated proposition and is targeted to meet unique needs of discerning customers.

School text book publishing business has got more quality conscious in the recent years. We have developed '**Water mark**' papers for this segment to give assurance of brand and quality endorsement. We have also developed new shades of colour printing papers for school craft activities and gift segment.

We have made further strides in product offerings, excellence in quality and service level, all of which have reinforced the trust that our customers have placed on us. Going forward, we plan to take further steps to improve our deliverables, as seen by our customers, and use the existing platform to be their preferred choice.



Demonstrated Fiber Leadership

For decades, the Company has aligned itself with the needs of the farmers and transformed the forestry activities and research to integrate with them, to foster a mutually beneficial relationship.

Approach of our farm forestry program has well-defined strategic objectives practiced over the past several decades. A few of the key objectives that we pursue are as follows:

- Empower the farmers by expanding the clonal programme by providing necessary technical guidance to optimize inputs and spacing of plantations; thus helping farmers to minimise on costs and enhance yield per acre;
- Raise the ecological balance to regenerate the forests and improve the equation on sustainability by helping to plant more trees than are consumed by the paper industry;
- Engage with the community, improve the farmers' social status, add to employment opportunities and favourably impact the quality of life of the agrarian sector;
- Improve the farmer's economics by providing genetically superior, high-yielding clonal saplings that increase land productivity per unit area thus ensuring plantations by the farmers are continuously rewarding;
- Motivate the farmers to undertake plantation of Casuarina, Subabul and Eucalyptus wood species on their unutilised land.

The Company continues to stay focused on its objectives to make a favourable impact on the agrarian eco-system. Considerable amount of **extension work** was done during the year which included identification of suitable area and the potential farmer. The farmers were motivated to interact with experts working at the grass root village level to provide them with suitable technical guidance.

The interventions and guidance were in the nature of the following activities:

- Optimization of inter-plant and inter-row spacing to ensure that the farmer gets best returns and undertakes intercropping during the gestation period before the Casuarina crop gets matured to harvest;
- Farmers were encouraged to have wider spacing of

plantations with intercropping of chillies, lady's finger, tobacco, beans, cabbage, cauliflower etc leading to a successful economical model of cultivation;

- Demonstrated methods to improve yield of the plantations to achieve long-term sustainability for the farmer with his cultivation;
- In order to enhance post planting care, IP APPM developed a formalized mechanism where the farmer's plantations are monitored with digital recording and guided with post planting care of desired silvicultural processes such as soil working, weeding and application of manures and fertilizers.
- IP APPM team provided effective guidance for the land gradient related solutions towards more effective rain water harvesting and conserving of soil, to augment moisture content and health of the soil.

Such focused extension work resulted in notable achievements, a few of which are as follows:

- During the 2015 planting year, approximately 225 million quality saplings were distributed covering an area of 31,300 hectares. To date, the Company has facilitated planting of over 1.71 billion saplings of Subabul, Casuarina and Eucalyptus, benefiting over 54,500 farmers;
- Our farm forestry program has resulted in a green cover of 245,000 hectares;
- The Company's research and development efforts further improved the yield per acre by optimizing the agro-forestry models.
- With our technical guidance, inter-cropping of cash crops with Casuarina clonal plantation is sustaining the farmer income for the initial years of planting as well. The productivity of land and farmer incomes has increased.
- Cultivation of pulpwood plantations has visibly increased both in the marginal and degraded farm lands. This year new plantations have been raised in 100 kilometres radius, within the proximity of the Rajahmundry mill, which will add to the competitive advantage, in the long run.

RYTHUKOSAM - FARMER EMPOWERMENT INITIATIVE



A unique interactive initiative was put in place during the year towards fiber leadership. A comprehensive website www.rythukosam.com has been set up designed exclusively to help the farmers to keep them better informed on growing Casuarina, on intercropping and on adoption of best practices. It has advisories on site selection, field preparation, planting methodology, post planting care, irrigation, preventive measures etc. The Company shares its knowledge and experience with the farmers to harness solutions for their sustained wellbeing.

The Company has introduced a voluntary scheme called **Rythukosam Smart Card** which has details of the farmer and his plantations including **GPS coordinates** recorded in the Company database. When the pulpwood is brought for selling, this card would be scanned and the quantity of wood brought from the plantation would be recorded. These cards will be linked directly with the bank account of the beneficiary farmer so that the transfer of the monetary benefit can be done directly to the farmers' account without involving any middlemen.

All clonal plantations have been GPS/digitally mapped which helps technical guidance on planting process by our officials, raising the awareness level of the farmer for farm inputs, and generally ensures that the farmer is better informed. Forecasting of pulpwood availability stands improved.

The efforts of the year centred around not only ensuring sustainable availability of pulpwood for the foreseeable future, but also protecting the ecology and environment as well as improving the quality of life of the farmers. More importantly, we got closer to the farmers.

RESEARCH AND DEVELOPMENT

Intensive **research and development** work was undertaken to support the farming community to improve their wood yield per acre. The notable initiatives were as follows:

- Selecting Casuarina Candidate Plus Trees (CPTs) for tree improvement so that farmers are able to get improved yield per acre.
- The Company has acquired second generation Casuarina clones from the Institute of Forest Genetic & Tree Breeding (IFGTB), Coimbatore which would add traction to the Company's program to offer second generation high-yielding varieties of clones to the farmers.
- An impetus has been given to research and development on Eucalyptus species by partnering with IP Brazil to develop superior, high-yielding, disease resistant Eucalyptus clones for Indian farmers by

introducing advanced Eucalyptus tree improvement as well as Eucalyptus tree breeding programme in India. IP APPM has acquired 32 seed lots of Eucalyptus from IP Brazil and research work has started.



Leadership in Safety & Sustainability

SAFETY

We continued to enhance our safety performance, with significant progress in increasing the accountability levels.

Safety is a core value for us and we shall always invest in infrastructure, processes, training and leadership behaviour towards zero incidents. Effectiveness of safety management is reviewed regularly and employees encouraged to identify areas for improvement. They are heard and their recommendations implemented, in the overall interest of achieving zero incidents. In fact, when it comes to safety, every employee is empowered in protecting self and others and has been impressed upon that safety is integral to our operations.

We approach it with the same commitment as any other business operation, striving for continuous improvement. We monitor our performance on a daily basis to ensure compliance with our internal standards and goals and ensure that our infrastructure and processes remain state-of-the-art. In fact, our constant efforts are focused on prevention as part of our effective management.

In line with the above philosophy, the Company took several initiatives to harness employees at all levels to create a strong safety performance beginning with the Safety Leadership Training by globally acclaimed Balmert Consulting. Strong Safety Leaders provide a huge safety impetus to the work force.

We conducted a safety pulse survey 'Voice of Employees' to understand how our employees feel about the safety commitment of their leaders, the outcome of the survey is being worked upon. In 2016-17, the Company plans to have all its leaders certified for Safety Leadership and all employees certified to Hazard Recognition program.

As far as the safety performance of IP APPM goes, the Company's TIR (0.062) and LWIR (0.021) have been the lowest and best among the IP global. Kadiyam mill continues to demonstrate strong safety performance with 365 days of recordable incident-free operations and has won the certificate of merit under the FICCI safety awards program. Rewards and recognition is one key criteria the Company has adopted both to promote a strong and positive safety culture and accountability of leaders.





We have started tracking the leading indicators on safety beginning January 2016. This includes several initiatives like reporting and monitoring of LIFE potentials, hazard recognition skills of employees, 5S, safety leadership training, safety observation, review by the steering committee and feedback to the employees. Execution is one of the main focus area and a major initiative under the Safety Leading Indicators. Project Plan Executions track progress on International Paper's own LIFE Program & Performance Standards as part of the EHS Management system.

Both mills successfully completed the annual outages without any incidents and outages continues to provide opportunity for showcasing and demonstrating the best safety practices to be implemented.

The Occupational Health Services management has now been outsourced to the professional agency Apollo Life beginning January 2016 at Rajahmundry mills. The intent is to provide efficient occupational health services, run periodic health inspection programs, run wellness and health campaigns at the mills. The Company is also in the process of procuring a full service ambulance. Kadiyam mills will follow suit in 2016.

We are working towards continuous, deliberate improvement. Our target is to work towards zero incident. We also realise that there is no end point and that we need to keep improving along on a continued basis through sustained efforts.

ENVIRONMENT & HEALTH

The Company undertook several environmental initiatives which included the up gradation of the effluent treatment plant, on-line uploading of the important parameters on CPCB and APPCB portals, water audit, odor control project of foul condensate



collection and hard piping, besides several other initiatives. The Company continued to operate within the compliance norms of the regulatory agencies.

During the year, there were ongoing efforts to reduce stack emissions, particulate matter and address the needs of air quality. There was reduction in waste water discharge of oxygen depleting substances to the receiving streams. In fact, during the Godavari Maha Pushakaram, there was zero discharge of treated effluents.

As in the past, IP APPM continued to supply treated water to the villagers near Unit:Kadiyam for irrigation purposes. On average, the Company supplied over 13,634,000 US gallons per month for the benefit of the farmers.

The Company is gearing up for Water Reduction and Pollution Prevention (WRRP) charter of the Central Pollution Control Board and has identified several water conservation projects which will be taken up during the course of the next financial year.

The Company has achieved the specific energy consumption targets under the PAT (Perform, Achieve and Trade) scheme instituted by the Bureau of Energy Efficiency and has completed the monitoring and verification audit. We have been credited with 1,321 eCERTs (Energy Saving Certificates on account of reduced energy consumption) trading of which will commence sometime in the next year through energy exchanges. Energy audit of the mill has also been completed.

We are in the process of commissioning the bark firing project which will further reduce the consumption of fossil fuel. ETP sludge is already being fired in to the boiler. These steps will help us to meet the new sets of specific energy consumption which are expected to be issued by Bureau of Energy Efficiency.

Shaping People Success

We had a fantastic year, a year that witnessed most of our HR transformation efforts come to completion successfully and bring in significant changes in the people practices, processes and engagement across all levels.

There was a tremendous amount of change management from a people perspective. Our employee engagement score emerged as the indicator for most engaged employees within IP globally and this includes our third party contract workers who participated in the Gallup employee engagement survey.

As part of HR transformation process we have made significant investment in creating a world class HR infrastructure in digitizing all the HR systems in managing employee data, talent acquisition, performance management, payroll management, time and attendance.

Our talent acquisition efforts show that we the most preferred employer in the paper industry, with a good retention rate and we were able to attract from the best of the company in the paper industry and as well from other world class manufacturing companies in India.

100 First Line Leaders - for the future

We have identified around 100 First Line Leaders in the Company who are for the first time in their career having teams under them to manage. To prepare them to be effective managers and a good leader for the future, we have initiated a structured eight month program in batches of 25 each.

So far we have covered 50 and we continue to train the others FLLs.

Strategic Leadership Skills Program - Senior management

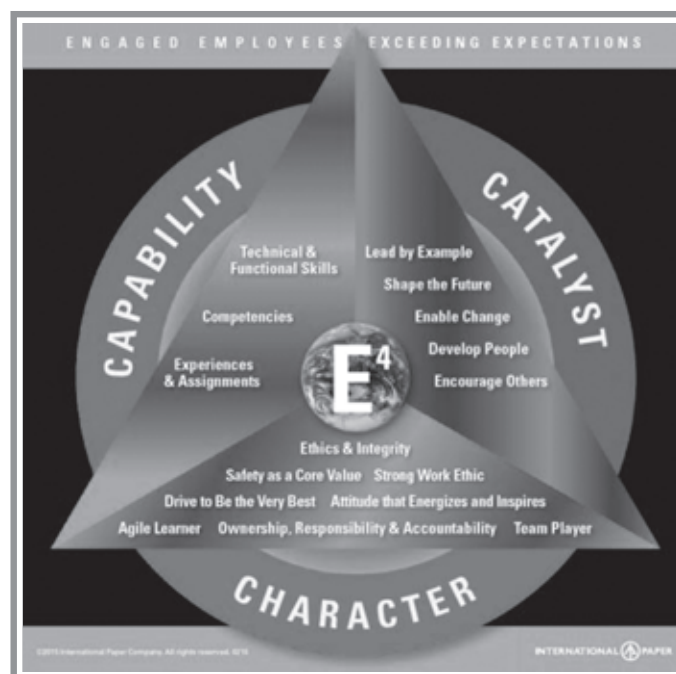
Our senior leaders from India are nominated for this program as part of their career development and to prepare them for future significant leadership positions. This is IP's global annual program conducted at our global headquarters in Memphis, for significantly experienced leaders who are responsible for strategic business direction and goal setting in their business and organization, with leaders across the globe as participants.

Leading Teams Program - Middle management

Growing mid-level talent and creating a good bench for succession is the focus of this program. Participants with experience who lead teams, but yet to lead business are chosen to take this program. This is IP's global program that provides opportunity of peer learning from different parts of the world, apart from the curriculum.

54 mid level and above - mapped for future growth

In line with our approach to build talent within the Company for future career growth, we have mapped all the DGM and above employees into future potential roles that they can play, which includes cross functional movements to enable vertical and horizontal growth. It is our endeavor to create opportunities within and build an environment to have leaders who have exposure in more than one or two functional areas to produce well rounded leaders for tomorrow.



One of the significant feature of our HR transformation is in creating a culture of leadership as per the IP Way. Every leader demonstrates the 3 Cs - Character, Capability, and Catalyst - as a natural part of our leadership language which are well integrated into our people development tools and systems. The Leadership Model shows character at the base, emphasizing that character is the foundation on which all successful leadership is built.

The safety component raises awareness of safety as a core value and further reinforces a leader's responsibility for ensuring safety in the workplace.



Six Sigma Program - Manufacturing Excellence

We have created 28 green belts and 3 black and master black belts in a short span of time. There were around 50 projects successfully executed and the outcome has enabled cost savings, operational excellence, compliance and process improvements.

Training Center - Mills

A new training center has been built inside the mills that can accommodate around 150 employees at a time. It is fully equipped with facilities to conduct a town hall, class room training, seminars and workshops that are technical and behavioral in nature. We have created a Mill Learning Leader position at the level of General Manager to manage all the learning programs in the mills.

Health Care - Towards Wellness

We have augmented our Occupational Health Center with new facilities that can respond better immediately for emergency and outpatient health needs. It is managed 24/7 by Apollo Hospitals with well-trained doctors, nurses and para-medics that are capable of addressing any life saving situation. The center also addresses the regular ailments that can be treated as outpatient. We have positioned a new and latest ambulance equipped to provide all the first aid required in an emergency.

Bridging the gap - pay parity among levels

Keeping in view of our 'Pay for Performance' philosophy, to stay competitive in the market to attract the best talent and to retain the best talent, we have made corrective measures considering the market and internal parity and brought most of them closer to the median salaries across level. This has resulted in low attrition and has improved our ability to hire good talent from the market.

Multi Skill Multi Trade for 600 - at shop floor

To create a highly skilled workforce at shop floor levels, we conducted an in-depth study on the current skill levels of around 600 workers at all levels and have repositioned them as per their skill. This will help us in knowledge retention, ability to rotate talent, address absenteeism and enhance the skill and knowledge of workers to help them grow.

World Class HR Infrastructure - employees get digital

A single employee portal and database for all 2,500 employees in SAP HR across India that stores digitally all employee information, allows employee to use the Self Service module to manage their information and also managers to manage their teams.

The entire talent management is digitized by implementing Success Factors, the world leader in human capital management system that covers career planning and development, performance and succession management.

From a compliance management perspective, we have implemented Kronos, a world leader in time and attendance systems, and have outsourced our payroll to ADP to ensure sustainability which gives us the ability to focus on compliance and business related issues.

Wellness and family care - beyond work

The average age of our employees is 44 years approximately and our employees and their families live in the colony within our mills. The wellness programs in the mills and corporate offices covered health campaigns, covering men and women, promoting sports and recreation in the mills. We have renovated and created sports facilities like, basketball, shuttle badminton, fully equipped gym, and other outdoor facilities. We are progressively renovating the colony buildings to ensure safety and stability to the existing structures.

Enriching lives

We have tried to be a positive force in the community. We started close to home; we work and partner with communities around our establishments in their development journey. We promote environmentally & socially responsible business practices by assessing and mitigating the environmental & social impacts for sustainable economic growth. The goals of the CSR activities are being achieved through direct voluntary employee engagement programs and partnerships & networks.

Our employees can take pride in the leadership they have demonstrated with community building. We do not just sponsor; more than 550 employees and their family members actively participated for about 2,500 hours in voluntary activities, and played a key role in enriching lives of people around them.

The year 2015-16 has been another milestone in our responsible journey where we have taken the relationship with the

communities one step further to include village adoption and contribute to academics in government schools. In every initiative we have been supported by an unflinching and growing group of volunteers from amongst the employees.

The CSR initiatives this year continued in the areas of **Education, Engagement and Environment**. Under **education**, impetus was provided to building infrastructure such as compound walls & toilets, teachers' training activity for government primary school teachers, scholarship for needy and meritorious students, spoken English course, etc.

We have been initiating, encouraging and supporting various social causes 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.





We advanced the social and cultural prosperity of the community in which we operate and where the majority of our employees live and work. We have also been actively involved in providing assistance during relief & rehabilitation of the populace affected by natural calamities. In a holistic way, we contributed to creating empathy and understanding between the community and the Company.

Our commitment towards **environment** goes beyond our employees and the work place. We are active in reaching out to the communities in the neighbourhood to our establishment

and impact and enrich their lives by providing drinking water as well as for irrigation, and constructed health and sanitation infrastructure. For instance, we supplied drinking water of over 143,500 US gallons per month to residents of neighboring villages. Similarly, we provided treated water for irrigation to the villages of over 13,634,000 US gallons per month.

Overall, we support, enhance and respect the communities where our employees live and work. IP APPM's involvement in the community is an article of faith and we shall continually refine our programs and seek opportunities to make a difference to the lives of people around us.





Turbo blowers



Bellmer press

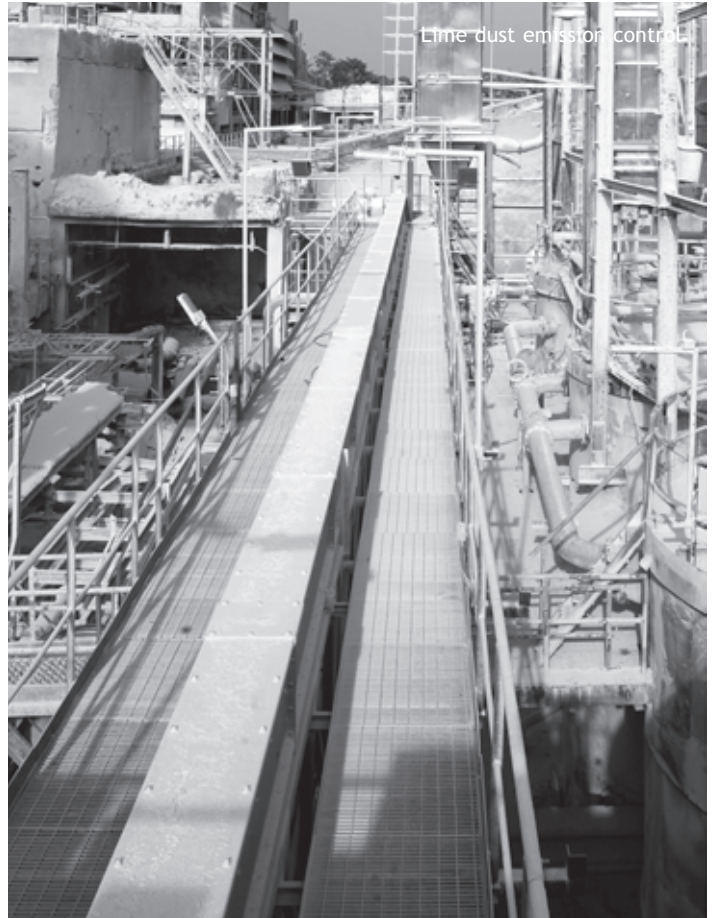


White oxidation plant

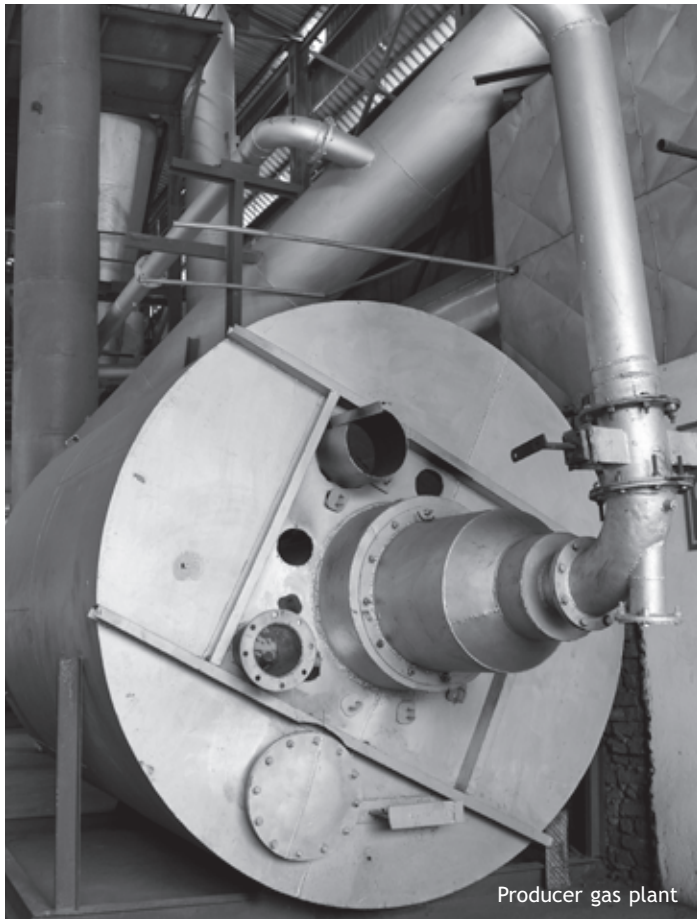
Capital projects completed in 2015-16



Third body evaporator



Lime dust emission control



Producer gas plant



Kadiyam3 AC drive panels

Board of Directors



Sitting (Left to right): Ms. Shiela P. Vinczeller, Ms. Ranjana Kumar and Ms. Ann Barbara Wrobleski.
Standing (Left to right): Mr. Milind Sarwate, Mr. Thomas G. Kadien, Mr. Rampraveen Swaminathan, Mr. M.S. Ramachandran and Mr. Adhiraj Sarin.
Not in picture: Mr. Praveen P. Kadle.

India Lead Team



Front row (Left to right): Mr. Deepak Khare, Ms. Lakshmi Prasad, Mr. M. Sura Reddy, Mr. Yogesh Jain, Mr. Ganesh Bhadi, Mr. Atanu Chakrabarti, Ms. Karthika Kumaresh and Mr. P. Sreenivas.

Back row (Left to right): Mr. C. Prabhakar, Mr. C. Badrinath, Mr. Mukund Menon, Mr. Rampraveen Swaminathan, Mr. Avtar Singh Matharu, Mr. Piyush Shah and Mr. D.V. Kamat.

Corporate Information

Registered Office

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

Corporate Office

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

Website: www.ipappm.com

Works

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

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

CIN: L21010AP1964PLC001008

Auditors

Deloitte Haskins & Sells,
Chartered Accountants
Hyderabad

Cost Auditors

Narasimha Murthy & Co.
Cost Accountants
Hyderabad

Bankers

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

Board's Report

Dear Members,

Your Directors have pleasure in presenting the 52nd Annual Report of the Company and the Audited Accounts for the year ended March 31, 2016.

Performance of the Company

During the financial year 2015-16, your Company recorded a significant improvement in business performance through strong operational performance, better revenue management and generating better cash flow. During the financial year ended March 31, 2016, the Company continued to execute initiatives for reducing the cost of production, improve the customer satisfaction, continued focus on safety environment and productivity. These efforts have helped the Company improve profitability substantially, registering an increase of 148 times over the last financial year. These initiatives will also create long-term value for the stakeholders and help position the Company as a leading supplier of premium grade products in the domestic market. The summary of financial performance for the year is encapsulated below:

In ₹ crore

| Financial Results | March 31, 2016 | March 31, 2015 |
|--|----------------|----------------|
| Sales and other income | 1166.27 | 1173.94 |
| Earnings before interest, depreciation & taxation (EBIDTA) | 137.13 | 106.16 |
| Finance costs | 40.30 | 44.60 |
| Depreciation | 73.17 | 69.00 |
| Profit/(Loss) before exceptional items | 23.66 | (7.44) |
| Exceptional items | 32.70 | 1.13 |
| Profit/(Loss) before tax | 56.36 | (6.31) |
| Tax expense/(benefit) | 19.47 | (6.56) |
| Profit for the year | 36.89 | 0.25 |

Sales & Marketing

Market demand for uncoated free sheet (UFS) paper remained soft during most part of the year with signs of improvement towards the year-end. Our estimate is that overall demand for paper grew by around 2-3% during the year. Demand was adversely impacted as government buying was deferred/reduced. Uncertain government policy of restraining private publishers in CBSE school books took a toll in the creamwove segment. Imports and

substitution in some segments also continues to be a threat. Pricing was under pressure during the year due to sluggish demand and is now showing signs of firming up gradually. In this market environment, the Company was able to make marginal progress in sales growth in domestic and export markets and could maintain our prices throughout the year.

Highlights of sales & marketing performance:

- Sales of 217,706 MT in the financial year 2015-16 as against 215,846 MT in the financial year 2014-15, a growth of 1%;
- We grew in West and Andhra Pradesh/Telangana which were our focus markets which aligns well with our future strategy of domestic growth;
- Cutsizes grew by 38% and we expanded our distribution in new markets and new geographies;
- We also expanded our export sales in Middle East & Africa and achieved a substantial growth of around 46%. Established consistent sales of cut-size products (under the HP brand). The Company has successfully met all its EPCG obligations;
- Your Company continues to be focused on delivering increased value to customers through improved products and customer service;
- The Company continued to increase penetration of new products launched with the International Paper brand last year. Sales of TruPrint, TruPrint Ultra, WriteChoice in the printing/notebook segment & Hammermill and HP in the cut-size segment registered strong growth during the year with significant improvement in brand building;
- The Company continued to be responsive to customer needs and developed new products to cater to niche segments. Developed watermark paper to maintain Creamwove sales in lean months;
- Launched WD engagement program - Paper Barons - to differentiate ourselves and improve customer connect;
- Introduced mobile app to provide real time information to customers;
- Launched door to door delivery model in Cutsizes varieties in Andhra Pradesh;

- k. Special focus on OTIF which improved the score from 77 to 85 in 3 years time;
- l. Have undertaken deliberate improvement projects involving cross-functional teams to enhance customer service through OTIF.

Raw Material Procurement

The Company's sustainable farm forestry program represents a strong competitive advantage. During 2015-16, your Company continued to expand the program and its partnership with local farmer communities with an endeavor to ensure long term fiber sustainability. The Company was able to source 100% requirement of pulpwood from Andhra and Telangana, primarily within a radius of 350 sq.kms. After three years of significant increase in fiber costs, 2015-16 experienced an increase in wood availability and correction in wood prices.

The Company continues to focus on empowerment of farmers by expanding the clonal distribution program under its robust farm forestry program with education, research & development and community support.

During 2015 planting year, approximately 225 million saplings were distributed covering an area of 31,300 hectares under plantation. The Company expanded the clonal propagation center infrastructure and introduced new business practices to improve safety and productivity. To have even more better meaningful relationship with the farmers, your Company has started a unique initiative through digital system by launching www.rythukosam.com and 'Krishak honored smart card'. IP APPM farmers will have direct access with your Company and the Company will have direct relationship with them.

Research and Development has been taken at a wider perspective through a collaborative project with Indian Paper Manufacturers Association (IPMA) and Institute of Forest Genetic & Tree Breeding (IFGTB), Coimbatore. 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. These have created a pool of over 123 million man-days so far.

In India, long awaited research and development on Eucalyptus has been started with partnering with IP Brazil being Brazil as most advanced and progressive country in the world.

Information Technology

Our vision is to enable business processes and systems through strategic adoption of IT. These cover all the operating areas including manufacturing, sales and marketing, human resources and forestry. During 2015-16, the Company implemented several IT systems and processes including redesign to the internet, new farmer portal, a new payroll system, mobile app to enable customers to view our products and most importantly SAP upgrade. SAP upgrade provides operational efficiency, cost reduction, improved controls in the areas of finance, costing, purchasing, manufacturing and project systems

During the year under view, the Company implemented SAP FICSM project (Finance, Capital, Source, Maintenance, Order Management and Manufacturing) with a view to be a part of IP's standard application portfolio with global processes. The benefits derived from this project are simplified, standardized and streamlined business processes with greater integration across the enterprise.

HR initiatives

During the year under review, the Company made significant investments in digitizing all the HR systems and creating culture of leadership whereby every leader demonstrates the 3 Cs - Character, Capability and Catalyst. The Company has successfully completed implementing all the modules of SAP HR that provides system as one place for all employee data. It also created the Performance Management System in one platform that is available online for an employee and the manager to effectively plan their objectives, measure performance, update their accomplishments etc. Talent Reviews were conducted function-wise to recognize the competencies, growth and development of the employees.

IP Leadership Institute conducted various programs that provide development opportunity for talent at all levels.

A multi-skilled, multi-trade study was conducted with a view to understand the current skills and map them to the jobs currently performed by the workmen in order to position them in the right grade and jobs.

Industrial relations at both manufacturing units are cordial and focused on long-term development.

During 2014-15, the Company conducted the Global Engagement Survey to assess employee engagement and

satisfaction. The participation rate was 98.37%, the highest among all IP entities. Overall employee engagement registered a strong improvement compared to prior surveys, with a specific improvement in communication and recognition.

CSR Initiatives

The Company has adopted CSR Policy which is placed on the Company's website. The Board of Directors during the year has re-constituted Corporate Social Responsibility Committee comprising of:

- a. Mr. M.S. Ramachandran (Independent Director) - Chairman
- b. Ms. Ranjana Kumar (Independent Director) - Member
- c. Mr. Rampraveen Swaminathan (Chairman & Managing Director) - Member
- d. Ms. Ann Barbara Wroblewski (Non-Executive Director) - Member

The focus areas of CSR Policy are education, environment and engagement. In view of past losses, the Company is not required to spend money on CSR activities as per Section 135 of the Companies Act, 2013. However, as a responsible corporate citizen, the Company incurred a sum of ₹47.35 lakhs supporting various CSR initiatives in these focus areas. During the year, the Company's CSR initiatives included:

- As part of Swatch Bharath programme, installation of RO plants in Madhavarayudu Village and Chaitanya Nagaram Village, Kadiyam Mandalam;
- Construction of bus shelter in Kadiyam Village;
- Supporting the sports events viz., AP State Volley Ball Association and AP State Kabaddi Championships;
- Construction of community sanitary complex for the women in Setty Balijapeta, Kadiyam Mandalam;
- Construction of compound wall for Government Primary School at Bhaskara Ram Nagar, Kadiyam Mandalam and construction of Diamond Mesh Fence for Government Primary School, Chaitanya Nagaram Village, Kadiyam Mandalam;
- Construction of girls toilet and installation of RO plant in Girijana Vikas Kendra School which supports the tribal students;

- Under project New Horizons, students of 5 municipal schools in Rajahmundry were given training in spoken English;
- Sponsored the Balakalakur Art Camp for underprivileged children.

In addition to the above financial commitments, your Company actively engaged employees to volunteer in the local community. Our employees have logged over 2,300 hours with impressive results.

Awards

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

- Special Export Award for its export performance for the year 2012-13 from CAPEXIL.
- Parivarthan Sustainability Leadership Award for its sustainability initiatives under the category of leadership in branding for sustainability.
- Community Development Award from World CSR Congress for the Community development work done by the Company around Unit: Kadiyam.
- Award for social innovation from World CSR Congress for the project New Horizons whereby the students in municipal schools in Rajahmundry were trained in spoken English.
- A Certificate of Appreciation from FICCI for good practice in safety systems by the Company's Unit: Kadiyam in recognition of its commitment to safety at workplace and putting in place safety systems.
- Uttama Smart Partner Award from Mandal Praja Parishad, Kadiyam, Government of Andhra Pradesh in recognition of the various development works done by the Company in Kadiyam Mandal.
- 'Best Management Award' from the Government of Andhra Pradesh for the good practices followed to keep industrial harmony and good employee relations in the organization.

Related Party Transactions

All related party transactions that were entered into during the financial year under review were on arms length basis and were also in the ordinary course of business. There are no materially significant related party transactions entered into by the Company with the promoters, directors,

key managerial personnel which may have a potential conflict with the interests of the Company at large.

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

Remuneration Policy

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

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

Technology Absorption & Energy Conservation

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

Risk Management

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

a. Fiber Procurement

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

b. Competition Risk

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

c. Occupational Health & Safety (OH&S)

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

Directors

a. Meetings of the Board

The Company prepares Calendar of Meetings for each calendar year and circulates the same in advance to all the Directors.

During the year under review, four Board meetings and four Audit Committee meetings were held. The details of the meetings held are given in the Corporate Governance Report forming part of Annual Report.

During the year under review, Ms. Jayashree Satagopan resigned as Non-Executive Director with effect from the close of office hours of April 24, 2015.

The Board placed on record its appreciation for the valuable advice and guidance received from Ms. Jayashree Satagopan.

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Mr. Thomas G. Kadien retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

b. Independent Directors

The Members at the 50th Annual General Meeting held on August 27, 2014 appointed the existing

Independent Directors viz. Mr. Praveen P. Kadle, Mr. Adhiraj Sarin, Ms. Ranjana Kumar, Mr. Milind Sarwate and Mr. M.S. Ramachandran under the Companies Act, 2013 each for a term of five years up to March 31, 2019.

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

c. Key Managerial Personnel

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

d. Performance Evaluation

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

A separate exercise was carried out to evaluate the performance of individual directors including the Chairman & Managing Director who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interests of the Company and its minority shareholders etc.

e. Board Training and Induction

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

f. Audit Committee

The Audit Committee comprises of Mr. Milind Sarwate

as Chairman and Messrs Praveen P. Kadle, Adhiraj Sarin, Thomas G. Kadien and Rampraveen Swaminathan as other Members. All the recommendations made by the Audit Committee were accepted by the Board.

Extract of Annual Return

The extract of Annual Return as on financial year ended March 31, 2016 as required under sub-section 3 of Section 92 of the Companies Act, 2013 in Form No. MGT 9 is attached as Annexure-2.

Particulars of Employees

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

Vigil Mechanism

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

Internal Financial Controls

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

Statutory Auditors audited the internal financial controls (IFC) over financial reporting of the Company as of March 31, 2016 in conjunction with audit of the financial statements of the Company for the year ended on that date. Unmodified opinion on IFC was given by them.

Statutory Auditors

The Members at the Annual General Meeting held on August 27, 2014 appointed Messrs Deloitte Haskins & Sells, Chartered Accountants, Hyderabad, as Auditors of the Company for a period of five years to hold office from the conclusion of 50th Annual General Meeting to the conclusion of the fifth consecutive annual general meeting subject to ratification of the appointment by the Members at every subsequent annual general meetings. Messrs Deloitte Haskins & Sells, Chartered Accountants have confirmed their eligibility and willingness to accept office, if re-appointed by the Members at the 52nd Annual General Meeting of the Company.

Secretarial Auditors

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

Cost Auditors

In terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit & Auditors) Rules, 2014, the Board at their meeting held on April 22, 2016 appointed Messrs Narasimha Murthy & Co., Cost Accountants as Cost Auditors of the Company at a remuneration of ₹6.50 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 22, 2016 for the financial year ending March 31, 2017 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, 2016. The Cost Audit Report in XBRL form due for filing on September 27, 2015 for the financial year ended March 31, 2015 was filed with the Ministry of Corporate Affairs on September 30, 2015.

The report for the year ended March 31, 2016 will be filed on or before end of September, 2016.

Public Deposits

The Company had discontinued its public deposit scheme in the financial year 2012-13. Despite efforts to identify and repay unclaimed deposit, the amount of public deposit matured and remaining unclaimed with the Company as on March 31, 2016 was ₹0.65 lakhs. The Company has not accepted or renewed any deposit during the year from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014. During the year under review, there was no unclaimed deposit amount which is required to be transferred to Investor Education and Protection Fund.

Particulars of loans, guarantees or investments

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

Dividend

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

Subsidiary Company

The Company made an investment of ₹5 lakhs by way of share capital in IP India Foundation, a Section 25 company under the Companies Act, 1956 wherein the excess of income over expenditure will be applied for promoting its objectives. Accordingly, the accounts of IP India Foundation are not consolidated since the holding Company will not derive any economic benefit from its investment in IP India Foundation. During the financial year ended March 31, 2016, the Foundation recorded a deficit amounting to ₹0.62 lakhs.

The Company undertakes that annual accounts of IP India Foundation and the related information will be made available to the members of holding company seeking such information at any point of time. The annual accounts of IP India Foundation is placed on the Company's website www.ipappm.com and is also available for inspection by any Member at the Registered Office of the Company during business hours on working days of the Company.

Statement containing salient features of the financial statement of IP India Foundation for the financial year ended March 31, 2016 is attached as Annexure-4.

Directors' Responsibility Statement

Your Directors hereby confirm and declare that:

- in the preparation of final accounts for the year ended March 31, 2016 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the financial year ended March 31, 2016 and of the profit of the Company for the year;
- they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they had prepared the accounts for the year ended March 31, 2016 on a 'going concern' basis;
- they had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating efficiently;
- they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating efficiently.

General

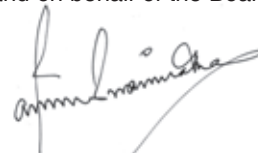
- During the year under review, the Chairman & Managing Director of the Company has not received any remuneration or commission from the subsidiary company.
- There were no significant material orders passed by the regulators or courts which would impact the going concern status of the Company and its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

Acknowledgements

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

Your Directors wish to convey their thanks to the valued customers and dealers for their continued patronage during the year and 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 22, 2016

Rampraveen Swaminathan
Chairman & Managing Director

Annexure-1

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

A. Conservation of energy

- i. The steps taken or impact on conservation of energy:
 - Energy efficient lighting for energy conservation;
 - Use of anti scaling agent in vacuum pumps to avoid scaling, to reduce power loss;
 - Use of refining enzyme to specific power consumption in refining;
 - Change of tackle refiner tackle design to reduce refining power;
 - Stopping unnecessary running of equipment & proper monitoring and interlocking to reduce power wastage;
 - Reduction of feed coal size to reduce coal consumption;
 - Replacement of old insulation with new to reduce heat losses;
 - Proper maintenance of steam traps to reduce steam consumption.
- ii. the steps taken by the Company for utilising alternate sources of energy: Nil
- iii. the capital investment on energy conservation equipments:
 - Replacement of existing root blowers in aeration system for energy conservation.

B. Technology absorption

- i. Efforts made towards technology absorption:
 - Reduction of odor generated by foul condensate from M/s. Lundberg, USA.
 - Oxidation of white liquor to reduce caustic consumption from M/s. Lundberg, USA.
 - Technology from HACH, USA, has been taken for online TSS & TOC meter and pH meter.
- ii. Benefits derived like product improvement, cost reduction, product development or import substitution:
 - Cost reduction: Installation of white liquor oxidation for cost savings to minimize the caustic consumption.
 - Online measurement of TSS and pH of treated effluent.
- iii. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)

| | | | |
|----|----|--|--|
| 1. | a. | Details of technology imported | Replacement of QCS & new Calcoil system in RJ#3: For better paper quality control for W&P & Maplitho grades. Existing obsolete PLCs are replaced with new centralized DCS for fine process control from Honeywell, Singapore. |
| | b. | Year of import | 2013 |
| | c. | Whether the technology been fully absorbed | Technology has been fully absorbed. |
| | d. | If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | Not applicable. |
| 2. | a. | Details of technology imported | 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 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. | Whether the technology been fully absorbed | Technology has been fully absorbed. |
| | d. | If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | Not applicable. |

| | | | |
|----|----|--|--|
| 3. | a. | Details of technology imported | Augmentation of existing diffused aeration tank with state of the art Turbo Blower of Godrej-Aerzen, Germany make. The specific consumption of power reduced from 28.29 W/M3-hr to 19.24 W/M3-hr. Also sustainable ETP discharge performance noticed in achieving COD <100 & BOD <15 as against PCB norms of COD < 250 & BOD < 30 respectively. |
| | b. | Year of import | 2014 |
| | c. | Whether the technology been fully absorbed | Technology has been fully absorbed. |
| | d. | If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | Not applicable. |
| 4. | a. | Details of technology imported | Installation of Bellmer Press: Sludge dewatering machine from M/s Bellmer, Germany. Compliance with reference to hazard waste (M, H, T & M) rules. Scientific approach in management of ETP sludge disposal through burning in boiler and hence improved site compliance with respect to storage & handling of ETP sludge and no dependency on external agencies for its disposal. |
| | b. | Year of import | 2014 |
| | c. | Whether the technology been fully absorbed | Technology has been fully absorbed. |
| | d. | If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | Not applicable. |
| 5. | a. | Details of technology imported | New 5.75 MW generator - Replacement of old turbine generator for sustainable power resource, as it was observed that rotor's winding overhang binding insulation is deteriorating. The generator was supplied by TD Power Systems Limited, Bangalore and the technology was imported from TDPS, Japan. |
| | b. | Year of import | 2014 |
| | c. | Whether the technology been fully absorbed | Technology has been fully absorbed. |
| | d. | If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | Not applicable. |
| 6. | a. | Details of technology imported | Installation of ambient air quality system as per APPCB Norms. The system was supplied by M/s. Thermo Fisher Scientific India Private Limited, Chennai and the technology was imported from M/s. Thermo Environmental Instruments Inc, Franklin, MA, USA. |
| | b. | Year of import | 2014 |
| | c. | Whether the technology been fully absorbed | Technology has been fully absorbed. |
| | d. | If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | Not applicable. |

| | | | |
|----|----|--|---|
| 7. | a. | Technology imported | 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. | Whether the technology been fully absorbed | Technology has been fully absorbed. |
| | d. | If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | Not applicable. |
| 8. | a. | Details of technology imported | <ul style="list-style-type: none"> - White liquor oxidation from M/s. Lundberg, USA. - Hard piping to reduce odor from foul condensate from M/s. Lundberg, USA. - Technology from HACH, USA, for online measurement of TSS & pH. |
| | b. | Year of import | 2015 |
| | c. | Whether the technology has been fully absorbed | Technology has been fully absorbed. |
| | d. | If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | Not applicable |

Research & Development (R&D)

| | | |
|----|--|--|
| a. | Specific areas in which R&D carried out by the Company | <ul style="list-style-type: none">- New product development;- Product quality improvement;- Process optimization studies;- Identification of functional additives and plant trials for cost reduction/quality improvement;- Evaluation of new fibrous raw materials. |
| b. | Benefits derived as a result of the above R&D | <ul style="list-style-type: none">- New products developed as per market demand;- Modification of products for customer satisfaction; Identification of additives for quality;- Improvement and cost reduction;- Identification of alternate fibrous raw materials. |
| c. | Future plan of action | <ul style="list-style-type: none">- New product development;- Evaluation of alternate fibrous raw materials;- Process optimization studies;- Identification of functional additives/chemicals for product development, process/quality; Improvement and cost reduction. |

C. Expenditure incurred on Research and Development (In ₹ lakhs)

| | | |
|-----------|---|------|
| Capital | : | Nil |
| Recurring | : | 7.45 |
| Total | : | 7.45 |

D. Foreign exchange earnings and outgo

| | | |
|--|---|-----------|
| Foreign exchange earned in terms of actual inflows | : | 21,171.50 |
| Foreign exchange outgo in terms of actual outflows | : | 5,188.17 |

Annexure-2

EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2016

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

FORM No. MGT-9

I. Registration and other details

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

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

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

III. Particulars of holding, subsidiary and associated companies

| S.No. | Name and address of the company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|-------|---|-----------------------|--------------------------------|------------------|--------------------|
| 1. | IP Holding Asia Singapore Pte. Limited 9, Battery Road, #15-01 Straits Trading Building, Singapore 049910. | Not applicable | Holding | 75.00 | 2(46) |
| 2. | IP India Foundation Krishe Sapphire Building, 8th Floor, 1-89/3/B40 to 42/KS/801, Hi-tech City Main Road, Madhapur, Hyderabad - 500 081 Telangana, India. | U80301TG2013NPL088489 | Subsidiary | 100.00 | 8 |

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

i. Category-wise shareholding

| Category of shareholders | No. of shares held at the beginning of the year | | | | No. of shares held at the end of the year | | | | % Change during the year |
|--|---|----------|------------|-------------------|---|----------|------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total shares | Demat | Physical | Total | % of Total shares | |
| A. Promoters | | | | | | | | | |
| 1. Indian | | | | | | | | | |
| a. Individual/HUF | – | – | – | – | – | – | – | – | – |
| b. Central Government | – | – | – | – | – | – | – | – | – |
| c. State Government(s) | – | – | – | – | – | – | – | – | – |
| d. Bodies corporate | – | – | – | – | – | – | – | – | – |
| e. Banks/FI | – | – | – | – | – | – | – | – | – |
| f. Any other | – | – | – | – | – | – | – | – | – |
| Sub-total (A) (1) | – | – | – | – | – | – | – | – | – |
| 2. Foreign | | | | | | | | | |
| a. NRIs - Individuals | – | – | – | – | – | – | – | – | – |
| b. Other - Individuals | – | – | – | – | – | – | – | – | – |
| c. Bodies corporate | 29,827,529 | – | 29,827,529 | 75.00 | 29,827,529 | – | 29,827,529 | 75.00 | – |
| d. Banks/FI | – | – | – | – | – | – | – | – | – |
| e. Any other | – | – | – | – | – | – | – | – | – |
| Sub-total (A)(2) | 29,827,529 | – | 29,827,529 | 75.00 | 29,827,529 | – | 29,827,529 | 75.00 | – |
| Total shareholding of promoter (A)=(A)(1)+(A)(2) | 29,827,529 | – | 29,827,529 | 75.00 | 29,827,529 | – | 29,827,529 | 75.00 | – |
| B. Public shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a. Mutual Funds | – | 200 | 200 | – | – | 200 | 200 | – | – |
| b. Banks/FI | 30,924 | 1,680 | 32,604 | 0.09 | 48,722 | 1,680 | 50,402 | 0.13 | 0.04 |
| c. Central Government | – | – | – | – | – | – | – | – | – |
| d. State Government(s) | – | – | – | – | – | – | – | – | – |
| e. Venture Capital Funds | – | – | – | – | – | – | – | – | – |
| f. Insurance companies | 1,190,853 | 200 | 1,191,053 | 2.99 | 1,109,103 | 200 | 1,109,303 | 2.79 | (0.20) |
| g. FIIs | 363,294 | – | 363,294 | 0.91 | 346,867 | – | 346,867 | 0.87 | (0.04) |
| h. Foreign Venture Capital Funds | – | – | – | – | – | – | – | – | – |
| i. Others - Foreign banks | – | 150 | 150 | – | – | 150 | 150 | – | – |
| Sub-total (B)(1) | 1,585,071 | 2,230 | 1,587,301 | 3.99 | 1,504,692 | 2,230 | 1,506,922 | 3.79 | (0.20) |
| 2. Non-Institutions | | | | | | | | | |
| a. Bodies corporate | | | | | | | | | |
| i. Indian | 3,261,203 | 3,760 | 3,264,963 | 8.21 | 1,753,132 | 3,650 | 1,756,782 | 4.42 | (3.79) |
| ii. Overseas | – | – | – | – | – | – | – | – | – |
| b. Individuals | | | | | | | | | |
| i. Individual shareholders holding nominal share capital upto ₹1 lakh | 2,713,883 | 334,886 | 3,048,769 | 7.67 | 3,118,932 | 325,488 | 3,444,420 | 8.66 | 0.99 |
| ii. Individual shareholders holding nominal share capital in excess of ₹1 lakh | 1,719,708 | 10,365 | 1,730,073 | 4.35 | 2,664,218 | 10,365 | 2,674,583 | 6.73 | 2.38 |
| c. Others specify | | | | | | | | | |
| i. Non-Resident Indians | 190,275 | 221 | 190,496 | 0.48 | 387,799 | 221 | 388,020 | 0.98 | 0.50 |
| ii. Clearing members | 89,276 | – | 89,276 | 0.22 | 64,214 | – | 64,214 | 0.16 | (0.06) |
| iii. Trusts | 20,232 | – | 20,232 | 0.05 | 17,933 | – | 17,933 | 0.04 | (0.01) |
| iv. Foreign nationals | 11,400 | – | 11,400 | 0.03 | 14,000 | – | 14,000 | 0.03 | – |
| v. NBFC | – | – | – | – | 75,636 | – | 75,636 | 0.19 | 0.19 |
| Sub-total (B)(2) | 8,005,977 | 349,232 | 8,355,209 | 21.01 | 8,095,864 | 339,724 | 8,435,588 | 21.21 | 0.20 |
| Total public shareholding (B)=(B)(1) + (B)(2) | 9,591,048 | 351,462 | 9,942,510 | 25.00 | 9,600,556 | 341,954 | 9,942,510 | 25.00 | – |
| C. Shares held by custodian for GDRs & ADRs | – | – | – | – | – | – | – | – | – |
| Grand Total (A+B+C) | 39,418,577 | 351,462 | 39,770,039 | 100.00 | 39,428,085 | 341,954 | 39,770,039 | 100.00 | – |

ii. Shareholding of promoter

| Shareholder's name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in share holding during the year |
|--|---|----------------------------------|--|-------------------------------------|----------------------------------|--|---|
| | No. of shares | % of total shares of the Company | % of shares pledged/encumbered to total shares | No. of shares | % of total shares of the Company | % of shares pledged/encumbered to total shares | |
| IP Holding Asia Singapore Pte. Limited | 29,827,529 | 75.00 | – | 29,827,529 | 75.00 | – | – |

iii. Change in promoters' shareholding

| | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|--|---|----------------------------------|---|----------------------------------|
| | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| At the beginning of the year | 29,827,529 | 75.00 | 29,827,529 | 75.00 |
| Datewise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc) | There is no change | | | |
| At the end of the year | 29,827,529 | 75.00 | 29,827,529 | 75.00 |

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

| Sl. No. | Name of the shareholder | Shareholding at the beginning of the year (April 1, 2015) | | Increase/decrease in shareholding | | | Cumulative shareholding during the year (April 1, 2015 to March 31, 2016) | |
|---------|--|---|----------------------------------|-----------------------------------|---------------|----------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | Date | No. of shares | Reason | No. of shares | % of total shares of the Company |
| 1. | The Oriental Insurance Company Limited (DPID: IN300812, Client ID: 10000560) | 684,706 | 1.72 | | | | 684,706 | 1.72 |
| | | | | March 31, 2016 | | | 684,706 | 1.72 |
| 2. | TMT Viniyogan Limited (DPID: IN300693, Client ID: 10061803) | 502,907 | 1.26 | | | | 502,907 | 1.26 |
| | | | | April 17, 2015 | -10,021 | Transfer | 492,886 | 1.24 |
| | | | | May 15, 2015 | -163,354 | Transfer | 329,532 | 0.83 |
| | | | | May 22, 2015 | -126,327 | Transfer | 203,205 | 0.51 |
| | | | | May 29, 2015 | -61,693 | Transfer | 141,512 | 0.36 |
| | | | | June 5, 2015 | -5,183 | Transfer | 136,329 | 0.34 |
| | | | | July 24, 2015 | -53,631 | Transfer | 82,698 | 0.21 |
| | | | | July 31, 2015 | -10,000 | Transfer | 72,698 | 0.18 |
| | | | | August 7, 2015 | -72,698 | Transfer | – | – |
| | | | | March 31, 2016 | | | – | – |

(Contd.)

Shareholding pattern of top ten shareholders (Contd.)

| Sl. No. | Name of the shareholder | Shareholding at the beginning of the year (April 1, 2015) | | Increase/decrease in shareholding | | | Cumulative shareholding during the year (April 1, 2015 to March 31, 2016) | |
|---------|--|---|----------------------------------|-----------------------------------|---------------|----------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | Date | No. of shares | Reason | No. of shares | % of total shares of the Company |
| 3. | The New India Assurance Company Limited (DPID: IN300812, Client ID: 10001728) | 424,319 | 1.07 | | | | 424,319 | 1.07 |
| | | | | March 31, 2016 | | | 424,319 | 1.07 |
| 4. | Religare Finvest Limited (DPID: IN301774, Client ID: 10567245) | 410,060 | 1.03 | | | | 410,060 | 1.03 |
| | | | | July 24, 2015 | -24,000 | Transfer | 386,060 | 0.97 |
| | | | | September 25, 2015 | -199,602 | Transfer | 186,458 | 0.47 |
| | | | | October 23, 2015 | -15,209 | Transfer | 171,249 | 0.43 |
| | | | | November 20, 2015 | 100,000 | Transfer | 271,249 | 0.68 |
| | | | | November 27, 2015 | -15,281 | Transfer | 255,968 | 0.64 |
| | | | | January 22, 2016 | -255,908 | Transfer | 60 | 0.00 |
| | | | | March 31, 2016 | | | 60 | 0.00 |
| 5. | Lakshmi Niwas Bangur (DP ID: IN300360, Client ID: 20140264) | 345,203 | 0.87 | | | | 345,203 | 0.87 |
| | | | | April 10, 2015 | -1,125 | Transfer | 344,078 | 0.87 |
| | | | | April 17, 2015 | -90,422 | Transfer | 253,656 | 0.64 |
| | | | | April 24, 2015 | -253,656 | Transfer | – | – |
| | | | | March 31, 2016 | | | – | – |
| 6. | Hitesh Satishchandra Doshi (DPID: IN300126, Client ID: 10936068) | | | | | | 172,687 | 0.43 |
| | | | | May 29, 2015 | 10,000 | Transfer | 182,687 | 0.46 |
| | | | | July 24, 2015 | -1408 | Transfer | 181,279 | 0.46 |
| | | | | July 31, 2015 | -34,697 | Transfer | 146,582 | 0.37 |
| | | | | August 7, 2015 | -21,000 | Transfer | 125,582 | 0.32 |
| | | | | March 31, 2016 | | | 125,582 | 0.32 |
| 7. | MV SCIF Mauritius (DPID: IN300167, Client ID: 10081087) | 130,217 | 0.33 | | | | 130,217 | 0.33 |
| | | | | June 12, 2015 | -7,581 | Transfer | 122,636 | 0.31 |
| | | | | June 26, 2015 | -2,869 | Transfer | 119,767 | 0.30 |
| | | | | June 30, 2015 | -2,156 | Transfer | 117,611 | 0.30 |
| | | | | July 3, 2015 | -2,958 | Transfer | 114,653 | 0.29 |
| | | | | July 10, 2015 | -2,156 | Transfer | 112,497 | 0.28 |
| | | | | July 31, 2015 | -3,240 | Transfer | 109,257 | 0.27 |
| | | | | August 7, 2015 | -731 | Transfer | 108,526 | 0.27 |
| | | | | August 14, 2015 | -7,560 | Transfer | 100,966 | 0.25 |
| | | | | August 21, 2015 | -1,080 | Transfer | 99,886 | 0.25 |
| | | | | August 28, 2015 | -4,324 | Transfer | 95,562 | 0.24 |
| | | | | September 18, 2015 | 1,076 | Transfer | 96,638 | 0.24 |
| | | | | September 25, 2015 | -124 | Transfer | 96,514 | 0.24 |
| | | | | September 30, 2015 | 3,243 | Transfer | 99,757 | 0.25 |
| | | | | October 9, 2015 | 1,081 | Transfer | 100,838 | 0.25 |
| | | | | October 30, 2015 | 2,160 | Transfer | 102,998 | 0.26 |
| | | | | November 20, 2015 | -2,160 | Transfer | 100,838 | 0.25 |

(Contd.)

Shareholding pattern of top ten shareholders (Contd.)

| Sl. No. | Name of the shareholder | Shareholding at the beginning of the year (April 1, 2015) | | Increase/decrease in shareholding | | | Cumulative shareholding during the year (April 1, 2015 to March 31, 2016) | |
|---------|--|---|----------------------------------|-----------------------------------|---------------|----------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | Date | No. of shares | Reason | No. of shares | % of total shares of the Company |
| | | | | December 4, 2015 | -4,320 | Transfer | 96,518 | 0.24 |
| | | | | December 11, 2015 | -10,779 | Transfer | 85,739 | 0.22 |
| | | | | December 25, 2015 | -3,061 | Transfer | 82,678 | 0.21 |
| | | | | December 31, 2015 | -1,041 | Transfer | 81,637 | 0.21 |
| | | | | February 5, 2016 | 926 | Transfer | 82,563 | 0.21 |
| | | | | March 25, 2016 | -2,498 | Transfer | 80,065 | 0.20 |
| | | | | March 31, 2016 | | | 80,065 | 0.20 |
| 8. | DH Securities Private Limited (DPID: 57700, Client ID: 1205770000000634) | 119,000 | 0.30 | | | | 119,000 | 0.30 |
| | | | | April 10, 2015 | 30,000 | Transfer | 149,000 | 0.37 |
| | | | | May 1, 2015 | 20,000 | Transfer | 169,000 | 0.42 |
| | | | | July 31, 2015 | -5,000 | Transfer | 164,000 | 0.41 |
| | | | | August 7, 2015 | -15,000 | Transfer | 149,000 | 0.37 |
| | | | | August 28, 2015 | 5,000 | Transfer | 154,000 | 0.39 |
| | | | | October 9, 2015 | -15,000 | Transfer | 139,000 | 0.35 |
| | | | | October 16, 2015 | -139,000 | Transfer | — | — |
| | | | | January 22, 2016 | 3,000 | Transfer | 3,000 | 0.01 |
| | | | | February 19, 2016 | -3,000 | Transfer | — | — |
| | | | | March 25, 2016 | 25,000 | Transfer | 25,000 | 0.06 |
| | | | | March 31, 2016 | | | 25,000 | 0.06 |
| 9. | Bang Equity Broking Private Limited (DPID: IN301604, Client ID: 10045767) | 111,584 | 0.28 | | | | 111,584 | 0.28 |
| | | | | April 17, 2015 | -17,500 | Transfer | 94,084 | 0.24 |
| | | | | April 24, 2015 | -94,000 | Transfer | 84 | 0.00 |
| | | | | May 1, 2015 | -84 | Transfer | — | — |
| | | | | March 31, 2016 | | | — | — |
| 10. | Edelweiss Securities Limited (DPID: IN303719, Client ID: 10121510) | 102,388 | 0.26 | | | | 102,388 | 0.26 |
| | | | | April 3, 2015 | 140 | Transfer | 102,528 | 0.26 |
| | | | | April 10, 2015 | -6,238 | Transfer | 96,290 | 0.24 |
| | | | | April 17, 2015 | -2,661 | Transfer | 93,629 | 0.24 |
| | | | | April 24, 2015 | 93 | Transfer | 93,722 | 0.24 |
| | | | | May 1, 2015 | -6,700 | Transfer | 87,022 | 0.22 |
| | | | | May 8, 2015 | 313 | Transfer | 87,335 | 0.22 |
| | | | | May 15, 2015 | 7,632 | Transfer | 94,967 | 0.24 |
| | | | | May 22, 2015 | 3,334 | Transfer | 98,301 | 0.25 |
| | | | | May 29, 2015 | 7,850 | Transfer | 106,151 | 0.27 |
| | | | | June 5, 2015 | -4,543 | Transfer | 101,608 | 0.26 |
| | | | | June 12, 2015 | 380 | Transfer | 101,988 | 0.26 |
| | | | | June 19, 2015 | 7,011 | Transfer | 108,999 | 0.27 |
| | | | | June 26, 2015 | 18,849 | Transfer | 127,848 | 0.32 |
| | | | | June 30, 2015 | -10,750 | Transfer | 117,098 | 0.29 |
| | | | | July 3, 2015 | -6,930 | Transfer | 110,168 | 0.28 |
| | | | | July 10, 2015 | -8,214 | Transfer | 101,954 | 0.26 |

(Contd.)

Shareholding pattern of top ten shareholders (Contd.)

| Sl. No. | Name of the shareholder | Shareholding at the beginning of the year (April 1, 2015) | | Increase/decrease in shareholding | | | Cumulative shareholding during the year (April 1, 2015 to March 31, 2016) | |
|---------|-------------------------|---|----------------------------------|-----------------------------------|---------------|----------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | Date | No. of shares | Reason | No. of shares | % of total shares of the Company |
| | | | | July 17, 2015 | -2,713 | Transfer | 99,241 | 0.25 |
| | | | | July 24, 2015 | -6,303 | Transfer | 92,938 | 0.23 |
| | | | | July 31, 2015 | 24,629 | Transfer | 117,567 | 0.30 |
| | | | | August 7, 2015 | -17,468 | Transfer | 100,099 | 0.25 |
| | | | | August 14, 2015 | 5,197 | Transfer | 105,296 | 0.26 |
| | | | | August 21, 2015 | 43 | Transfer | 105,339 | 0.26 |
| | | | | August 28, 2015 | -10,997 | Transfer | 94,342 | 0.24 |
| | | | | September 4, 2015 | -15,489 | Transfer | 78,853 | 0.20 |
| | | | | September 11, 2015 | -3,966 | Transfer | 74,887 | 0.19 |
| | | | | September 18, 2015 | -5,029 | Transfer | 69,858 | 0.18 |
| | | | | September 25, 2015 | 1 | Transfer | 69,859 | 0.18 |
| | | | | September 30, 2015 | -1,700 | Transfer | 68,159 | 0.17 |
| | | | | October 2, 2015 | 7,500 | Transfer | 75,659 | 0.19 |
| | | | | October 9, 2015 | -1,620 | Transfer | 74,039 | 0.19 |
| | | | | October 16, 2015 | -127 | Transfer | 73,912 | 0.19 |
| | | | | October 23, 2015 | -7,388 | Transfer | 66,524 | 0.17 |
| | | | | October 30, 2015 | 6,093 | Transfer | 72,617 | 0.18 |
| | | | | November 6, 2015 | -213 | Transfer | 72,404 | 0.18 |
| | | | | November 13, 2015 | 3,550 | Transfer | 75,954 | 0.19 |
| | | | | November 20, 2015 | -39,803 | Transfer | 36,151 | 0.09 |
| | | | | November 27, 2015 | 59 | Transfer | 36,210 | 0.09 |
| | | | | December 4, 2015 | 44,301 | Transfer | 80,511 | 0.20 |
| | | | | December 11, 2015 | -999 | Transfer | 79,512 | 0.20 |
| | | | | December 18, 2015 | -4,473 | Transfer | 75,039 | 0.19 |
| | | | | December 25, 2015 | -866 | Transfer | 74,173 | 0.19 |
| | | | | December 31, 2015 | 2,400 | Transfer | 76,573 | 0.19 |
| | | | | January 1, 2016 | -35,386 | Transfer | 41,187 | 0.10 |
| | | | | January 8, 2016 | -5,798 | Transfer | 35,389 | 0.09 |
| | | | | January 15, 2016 | -1,600 | Transfer | 33,789 | 0.08 |
| | | | | January 22, 2016 | 2,000 | Transfer | 35,789 | 0.09 |
| | | | | January 29, 2016 | -100 | Transfer | 35,689 | 0.09 |
| | | | | February 5, 2016 | 38,287 | Transfer | 73,976 | 0.19 |
| | | | | February 12, 2016 | 10,305 | Transfer | 84,281 | 0.21 |
| | | | | February 19, 2016 | -1,178 | Transfer | 83,103 | 0.21 |
| | | | | February 26, 2016 | 150 | Transfer | 83,253 | 0.21 |
| | | | | March 4, 2016 | 8,304 | Transfer | 91,557 | 0.23 |
| | | | | March 11, 2016 | 3,150 | Transfer | 94,707 | 0.24 |
| | | | | March 18, 2016 | 12,377 | Transfer | 107,084 | 0.27 |
| | | | | March 25, 2016 | -280 | Transfer | 106,804 | 0.27 |
| | | | | March 31, 2016 | 4,571 | Transfer | 111,375 | 0.28 |
| | | | | March 31, 2016 | | | 111,375 | 0.28 |

Shareholding pattern of top ten shareholders (Contd.)

| Sl. No. | Name of the shareholder | Shareholding at the beginning of the year (April 1, 2015) | | Increase/decrease in shareholding | | | Cumulative shareholding during the year (April 1, 2015 to March 31, 2016) | |
|---------|--|---|----------------------------------|-----------------------------------|---------------|----------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | Date | No. of shares | Reason | No. of shares | % of total shares of the Company |
| 11. | Dilipkumar Lakhi DPID:IN300159 Client ID: 10026342 | – | – | April 1, 2015 | – | | – | – |
| | | | | January 22, 2016 | 384,624 | Transfer | 384,624 | 0.97 |
| | | | | January 29, 2016 | 68,177 | Transfer | 452,801 | 1.14 |
| | | | | February 5, 2016 | 44,315 | Transfer | 497,116 | 1.25 |
| | | | | February 12, 2016 | 34,191 | Transfer | 531,307 | 1.34 |
| | | | | February 19, 2016 | 5,000 | Transfer | 536,307 | 1.35 |
| | | | | March 31, 2016 | | | 536,307 | 1.35 |
| 12. | Chirag Dilipkumar Lakhi DPID:IN300159 Client ID: 10614573 | – | – | April 1, 2015 | – | | – | – |
| | | | | February 19, 2016 | 144,060 | Transfer | 144,060 | 0.36 |
| | | | | February 26, 2016 | 68,258 | Transfer | 212,318 | 0.53 |
| | | | | March 4, 2016 | 108,154 | Transfer | 320,472 | 0.81 |
| | | | | March 11, 2016 | 125,952 | Transfer | 446,424 | 1.12 |
| | | | | March 18, 2016 | 56,889 | Transfer | 503,313 | 1.27 |
| | | | | March 31, 2016 | | | 503,313 | 1.27 |
| 13. | Vinod Mohan Nair DPID: IN300214 Client ID: 18064311 | – | – | April 1, 2015 | – | | – | – |
| | | | | August 28, 2015 | 50,000 | Transfer | 50,000 | 0.13 |
| | | | | December 11, 2015 | 50,000 | Transfer | 100,000 | 0.25 |
| | | | | January 8, 2016 | 64,251 | Transfer | 164,251 | 0.41 |
| | | | | March 31, 2016 | | | 164,251 | 0.41 |
| 14. | Almondz Global Securities Limited Client ID: 1204190000000317 | 49,640 | 0.12 | April 1, 2015 | | | 49,640 | 0.12 |
| | | | | June 12, 2015 | 4,056 | Transfer | 53,696 | 0.14 |
| | | | | July 24, 2015 | 2,000 | Transfer | 55,696 | 0.14 |
| | | | | August 28, 2015 | 7,500 | Transfer | 63,196 | 0.16 |
| | | | | September 4, 2015 | 1,900 | Transfer | 65,096 | 0.16 |
| | | | | September 11, 2015 | 10,285 | Transfer | 75,381 | 0.19 |
| | | | | September 18, 2015 | 5,500 | Transfer | 80,881 | 0.20 |
| | | | | September 25, 2015 | 2,815 | Transfer | 83,696 | 0.21 |
| | | | | October 9, 2015 | 600 | Transfer | 84,296 | 0.21 |
| | | | | October 16, 2015 | 6,643 | Transfer | 90,939 | 0.23 |
| | | | | October 23, 2015 | 214 | Transfer | 91,153 | 0.23 |
| | | | | October 30, 2015 | 750 | Transfer | 91,903 | 0.23 |
| | | | | November 6, 2015 | 23,416 | Transfer | 115,319 | 0.29 |
| | | | | November 13, 2015 | 7,000 | Transfer | 122,319 | 0.31 |
| | | | | November 20, 2015 | 14,320 | Transfer | 136,639 | 0.34 |
| | | | | November 27, 2015 | -1,000 | Transfer | 135,639 | 0.34 |
| | | | | December 4, 2015 | 4,495 | Transfer | 140,134 | 0.35 |
| | | | | December 11, 2015 | 1,500 | Transfer | 141,634 | 0.36 |
| | | | | December 18, 2015 | -1,295 | Transfer | 140,339 | 0.35 |
| | | | | December 25, 2015 | -1,500 | Transfer | 138,839 | 0.35 |
| | | | | December 31, 2015 | -1,400 | Transfer | 137,439 | 0.35 |

Shareholding pattern of top ten shareholders (Contd.)

| Sl. No. | Name of the shareholder | Shareholding at the beginning of the year (April 1, 2015) | | Increase/decrease in shareholding | | | Cumulative shareholding during the year (April 1, 2015 to March 31, 2016) | |
|---------|---|---|----------------------------------|-----------------------------------|---------------|----------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | Date | No. of shares | Reason | No. of shares | % of total shares of the Company |
| | | | | January 8, 2016 | 500 | Transfer | 137,939 | 0.35 |
| | | | | January 15, 2016 | -24,000 | Transfer | 113,939 | 0.29 |
| | | | | January 22, 2016 | 23,400 | Transfer | 137,339 | 0.35 |
| | | | | January 29, 2016 | -3,100 | Transfer | 134,239 | 0.34 |
| | | | | February 5, 2016 | 2,400 | Transfer | 136,639 | 0.34 |
| | | | | February 12, 2016 | 2,552 | Transfer | 139,191 | 0.35 |
| | | | | February 19, 2016 | -3,252 | Transfer | 135,939 | 0.34 |
| | | | | February 26, 2016 | 700 | Transfer | 136,639 | 0.34 |
| | | | | March 4, 2016 | 550 | Transfer | 137,189 | 0.34 |
| | | | | March 11, 2016 | 698 | Transfer | 137,887 | 0.35 |
| | | | | March 18, 2016 | 5,510 | Transfer | 143,397 | 0.36 |
| | | | | March 25, 2016 | -23,000 | Transfer | 120,397 | 0.30 |
| | | | | March 31, 2016 | 26,000 | Transfer | 146,397 | 0.37 |
| 15. | Radhakishan Damani DPID: IN305099 Client ID: 20005754 | - | - | April 1, 2015 | - | | - | - |
| | | | | September 30, 2015 | 110,000 | Transfer | 110,000 | 0.28 |
| | | | | March 31, 2016 | | | 110,000 | 0.28 |
| 16. | IL &FS Ssecuriteis Services Limited DPID: IN300095 Client ID: 11440476 | 3754 | 0.01 | April 1, 2015 | | | 3,754 | 0.01 |
| | | | | April 10, 2015 | 4,080 | Transfer | 7,834 | 0.02 |
| | | | | April 17, 2015 | 3,109 | Transfer | 10,943 | 0.03 |
| | | | | April 24, 2015 | 7,668 | Transfer | 18,611 | 0.05 |
| | | | | May 1, 2015 | 13,161 | Transfer | 31,772 | 0.08 |
| | | | | May 8, 2015 | -2,600 | Transfer | 29,172 | 0.07 |
| | | | | May 15, 2015 | -4,761 | Transfer | 24,411 | 0.06 |
| | | | | May 22, 2015 | 1,871 | Transfer | 26,282 | 0.07 |
| | | | | May 29, 2015 | 10,604 | Transfer | 36,886 | 0.09 |
| | | | | June 5, 2015 | -3,655 | Transfer | 33,231 | 0.08 |
| | | | | June 12, 2015 | 7,200 | Transfer | 40,431 | 0.10 |
| | | | | June 19, 2015 | 8,003 | Transfer | 48,434 | 0.12 |
| | | | | June 26, 2015 | 3,043 | Transfer | 51,477 | 0.13 |
| | | | | June 30, 2015 | -11,512 | Transfer | 39,965 | 0.10 |
| | | | | July 3, 2015 | 11,075 | Transfer | 51,040 | 0.13 |
| | | | | July 10, 2015 | 594 | Transfer | 51,634 | 0.13 |
| | | | | July 17, 2015 | -159 | Transfer | 51,475 | 0.13 |
| | | | | July 24, 2015 | 31,730 | Transfer | 83,205 | 0.21 |
| | | | | July 31, 2015 | -2,357 | Transfer | 80,848 | 0.20 |
| | | | | August 7, 2015 | -3,440 | Transfer | 77,408 | 0.19 |
| | | | | August 14, 2015 | -13,102 | Transfer | 64,306 | 0.16 |
| | | | | August 21, 2015 | 9,785 | Transfer | 74,091 | 0.19 |
| | | | | August 28, 2015 | 8,013 | Transfer | 82,104 | 0.21 |

Shareholding pattern of top ten shareholders (Contd.)

| Sl. No. | Name of the shareholder | Shareholding at the beginning of the year (April 1, 2015) | | Increase/decrease in shareholding | | | Cumulative shareholding during the year (April 1, 2015 to March 31, 2016) | |
|---------|-------------------------|---|----------------------------------|-----------------------------------|---------------|----------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | Date | No. of shares | Reason | No. of shares | % of total shares of the Company |
| | | | | September 4, 2015 | -1,647 | Transfer | 80,457 | 0.20 |
| | | | | September 11, 2015 | -33,882 | Transfer | 46,575 | 0.12 |
| | | | | September 18, 2015 | -341 | Transfer | 46,234 | 0.12 |
| | | | | September 25, 2015 | 12,906 | Transfer | 59,140 | 0.15 |
| | | | | September 30, 2015 | -2,300 | Transfer | 56,840 | 0.14 |
| | | | | October 2, 2015 | 750 | Transfer | 57,590 | 0.14 |
| | | | | October 9, 2015 | 48,574 | Transfer | 106,164 | 0.27 |
| | | | | October 16, 2015 | 2,851 | Transfer | 109,015 | 0.27 |
| | | | | October 23, 2015 | -59,170 | Transfer | 49,845 | 0.13 |
| | | | | October 30, 2015 | 14,310 | Transfer | 64,155 | 0.16 |
| | | | | November 6, 2015 | 5,075 | Transfer | 69,230 | 0.17 |
| | | | | November 13, 2015 | 15,400 | Transfer | 84,630 | 0.21 |
| | | | | November 20, 2015 | 4,900 | Transfer | 89,530 | 0.23 |
| | | | | November 27, 2015 | 2,249 | Transfer | 91,779 | 0.23 |
| | | | | December 4, 2015 | 6,484 | Transfer | 98,263 | 0.25 |
| | | | | December 11, 2015 | -19,500 | Transfer | 78,763 | 0.20 |
| | | | | December 18, 2015 | -2,250 | Transfer | 76,513 | 0.19 |
| | | | | December 25, 2015 | -1,400 | Transfer | 75,113 | 0.19 |
| | | | | December 31, 2015 | -7,108 | Transfer | 68,005 | 0.17 |
| | | | | January 8, 2016 | -38,453 | Transfer | 29,552 | 0.07 |
| | | | | January 15, 2016 | -1,806 | Transfer | 27,746 | 0.07 |
| | | | | January 22, 2016 | -27,200 | Transfer | 546 | 0.00 |
| | | | | January 29, 2016 | 875 | Transfer | 1,421 | 0.00 |
| | | | | February 5, 2016 | 31,894 | Transfer | 33,315 | 0.08 |
| | | | | February 12, 2016 | -5,425 | Transfer | 27,890 | 0.07 |
| | | | | February 19, 2016 | -625 | Transfer | 27,265 | 0.07 |
| | | | | February 26, 2016 | -1,000 | Transfer | 26,265 | 0.07 |
| | | | | March 4, 2016 | -4,379 | Transfer | 21,886 | 0.06 |
| | | | | March 11, 2016 | -268 | Transfer | 21,618 | 0.05 |
| | | | | March 18, 2016 | 334 | Transfer | 21,952 | 0.06 |
| | | | | March 25, 2016 | 89,906 | Transfer | 111,858 | 0.28 |
| | | | | March 31, 2016 | -3,050 | Transfer | 108,808 | 0.27 |

v. Shareholding of Directors and Key Managerial Personnel

| Sl. No. | Name of the Director/ Key Managerial Personnel | Shareholding at the beginning of the year (April 1, 2015) | | Increase/decrease in shareholding | | Shareholding at the end of the year (or on the date of separation, if separated during the year) (March 31, 2016) | |
|---------|--|---|----------------------------------|-----------------------------------|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1. | Mr. C. Prabhakar, Company Secretary | 258 | 0.00 | — | — | 258 | 0.00 |

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

| | Secured Loans excluding deposits | Unsecured loans | Deposits | Total indebtedness |
|--|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i. Principal amount | 191,996,255 | 4,831,301,063 | 88,646 | 5,023,385,964 |
| ii. Interest due but not paid | — | — | — | — |
| iii. Interest accrued but not due | 5,387,299 | 7,983,585 | — | 13,370,884 |
| Total (i+ii+iii) | 197,383,554 | 4,839,284,648 | 88,646 | 5,036,756,848 |
| Change in indebtedness during the financial year | | | | |
| *Addition | 300,000,000 | 4,062,000,000 | — | 4,362,000,000 |
| *Reduction | 197,383,554 | 4,436,135,496 | — | 4,633,519,050 |
| Net change | 102,616,446 | (374,135,496) | — | (271,519,050) |
| Indebtedness at the end of the financial year | | | | |
| i. Principal amount | 300,000,000 | 4,465,149,152 | 88,646 | 4,765,237,798 |
| ii. Interest due but not paid | — | — | — | — |
| iii. Interest accrued but not due | — | 4,700,324 | — | 4,700,324 |
| Total (i+ii+iii) | 300,000,000 | 4,469,849,476 | 88,646 | 4,769,938,122 |

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager

(₹ Lakhs)

| Sl. No. | Particulars of remuneration | Mr. Rampraveen Swaminathan, Chairman & Managing Director |
|---------|--|--|
| 1. | Gross salary | |
| | a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 59.62 |
| | b. Value of perquisites under Section 17(2) of the Income Tax Act, 1961 | — |
| | c. Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961 | — |
| 2. | Stock option | — |
| 3. | Sweat equity | — |
| 4. | Commission - as % of profit | — |
| | - others | — |
| 5. | Others | — |
| | Total | 59.62 |
| | Ceiling as per the Act | 294.18 |

B. Remuneration to other directors

(₹ Lakhs)

| Sl. No. | Particulars of remuneration | Name of Directors | | | | | Total amount |
|---------|--|---|--------------------------|-------------------------|----------------------------|----------------------|--------------|
| | | Mr. M.S. Ramachandran | Ms. Ranjana Kumar | Mr. Adhiraj Sarin | Mr. Milind Sarwate | Mr. Praveen P. Kadle | |
| 1. | Independent Directors | | | | | | |
| | Fee for attending board/committee meetings | 7.00 | 7.00 | 8.50 | 5.25 | 5.25 | 33.00 |
| | Commission | — | — | — | — | — | — |
| | Others | — | — | — | — | — | — |
| | Total (1) | 7.00 | 7.00 | 8.50 | 5.25 | 5.25 | 33.00 |
| 2. | Other Non-Executive Directors | Mr. Thomas G. Kadien | Ms. Shiela P. Vinczeller | Ms. Jayashree Satagopan | Ms. Ann Barbara Wroblewski | | |
| | Fee for attending board/committee meetings | — | — | — | — | — | — |
| | Commission | — | — | — | — | — | — |
| | Others | — | — | — | — | — | — |
| | Total (2) | — | — | — | — | — | — |
| | Total managerial remuneration (1+2) | | | | | | 33.00 |
| | Overall ceiling as per the Act | Within the ceiling as per Section 197(5) of the Companies Act, 2013 | | | | | |

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

(₹ Lakhs)

| Sl. No. | Particulars of remuneration | Key Managerial Personnel | | |
|---------|--|---------------------------------------|--|---------------|
| | | Mr. C. Prabhakar Company Secretary | Mr. Badrinath Chellappa Chief Financial Officer | Total |
| 1. | Gross salary | | | |
| | a. Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 57.56 | 77.60 | 135.16 |
| | b. Value of perquisites under Section 17(2) of the Income Tax Act, 1961 | 2.03 | 0.17 | 2.20 |
| | c. Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961 | — | — | — |
| 2. | Stock option | — | — | — |
| 3. | Sweat equity | — | — | — |
| 4. | Commission | — | — | — |
| 5. | Others | — | — | — |
| | Total | 59.59 | 77.77 | 137.36 |

VII. Penalties/punishment/compounding of offences

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

Form No. MR-3 SECRETARIAL AUDIT REPORT

*For the financial year ended March 31, 2016
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies
(Appointment and Remuneration Personnel) Rules, 2014]*

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016, according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

- b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
- c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the period of audit);
- d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during the period of audit);
- e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the period of audit);
- f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the period of audit); and
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the period of audit).

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

- a. Forest (Conservation) Act, 1980;
- b. Chemical Accidents (Emergency Planning Preparedness and Response) Rules, 1996;
- c. Indian Boilers Act, 1923;
- d. The Biological Diversity Act, 2002;
- e. The Environment (Protection) Act 1986;
- f. The Essential Commodities Act, 1955;
- g. The Wildlife (Protection) Act, 1972.

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

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

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

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

We further report that

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

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

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

We further report that there are adequate systems and processes in the Company commensurate with the size

and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

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

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

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



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

Hyderabad
April 18, 2016

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

Annexure A

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

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness and with which the management has conducted the affairs of the Company.

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



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

Hyderabad
April 18, 2016

Annexure-4

Form AOC-I

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

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

Part 'A': Subsidiaries

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

| | |
|---|--------------------------------------|
| Name of the subsidiary | IP India Foundation |
| Reporting period for the subsidiary concerned, if different from the holding company's reporting period | From April 1, 2015 to March 31, 2016 |
| Reporting currency and exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries | NA |
| Share capital | ₹ 5,00,000 |
| Reserves & surplus | ₹ 216,493 |
| Total assets | ₹ 821,118 |
| Total liabilities | ₹ 821,118 |
| Investments | ₹ 75,000 |
| Turnover | ₹ 788,379 |
| Excess of income over expenditure before taxation | ₹ (61,758) |
| Provision for taxation | ₹ Nil |
| Excess of income over expenditure after taxation | ₹ (61,758) |
| Proposed dividend | Not applicable |
| % of shareholding | 100 |

There is no other subsidiary company except IP India Foundation.

For and on behalf of the Board



Rampraveen Swaminathan
Chairman & Managing Director

Hyderabad
April 22, 2016

Management Discussion & Analysis

ECONOMIC SCENARIO

India's Gross Domestic Product growth grew at 7.6% in the financial year 2015-16 from 7.2% in the previous year. Private consumption, manufacturing and services experienced a measured but a slower growth. Expansion in fixed investment picked up indicating a continuing gradual recovery in capital expenditure. Agricultural production grew by 1.1%, with monsoon rainfall at 12% below normal crimped the summer crop planted area.

Low global oil prices, a positive base effect, and tight monetary policy kept consumer price inflation benign at an average of 4.8% in the year. Core inflation has trended downward for nearly 2 years and now hovers just above 4%.

India is set to emerge as the world's fastest-growing major economy ahead of China, as per a recent report by the World Bank. The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong government reforms, RBI's inflation focus supported by benign global commodity prices. According to a Goldman Sachs report released in September 2015, India could grow at a potential 8% on average between 2016 and 2020, powered by greater access to banking, technology adoption, urbanisation and other structural reforms.

GLOBAL PAPER INDUSTRY

Across the globe, over 400 million MT of pulp, paper and board are produced. The largest producer countries, US, China, Japan and Canada, make up more than half of the world's production. Global annual per capita paper & board consumption is about 57 kgs.

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

Over the next five years, industry revenue is expected to resume slow expansion, though growth in developing markets will outpace revenue increases in the United States and Europe. According to Pöyry's World Paper Markets 2020, "world demand for paper and paperboard is forecast to grow by 2.1% annually in the long term, reaching an estimated 490 million tons by the year 2020." Countries such as India and China show vastly increasing demand for paper for books, newspapers and periodicals.

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

With the decline in the consumption of printed materials there has been a commensurate drop in pricing. The effect compounds. Paper manufacturing is a demanding, capital-intensive and low-margin industry, and when prices drop too low, it is simply no longer cost-effective to manufacture paper. (Industries with higher margins and different cost structures can manufacture at cost, just to cover overhead. This is not the reality for the paper manufacturing business.)

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

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

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

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

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

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

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

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

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

INDIAN PAPER INDUSTRY

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

The operating capacity of the industry currently stands at around 14 million tons. During 2015-16, domestic production is estimated to be 11 million tons. As per industry estimates, over all paper consumption has now touched 13 million tons.

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

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

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

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

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

The paper industry in India is majorly categorized into writing and printing (W&P), paperboard and newsprint segments. Paperboards constitute approximately 43% of the demand volume, while W&P accounts for approximately 35%. Newsprint makes for another 17%. Specialty papers make the balance 5%.

Major varieties of W&P are creamwove, maplitho, cut-size and coated paper. Recent trends indicate higher quality paper segments such as cut-size and coated varieties have been gaining volumes, while creamwove has a stable market. Maplitho, cut-size and coated paper command higher realizations, while creamwove is a volume runner. According to industry estimates, creamwove commands 50% of the W&P market, maplitho occupies 33% and cut-sizes constitute the balance 17%.

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

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

So far, the growth in paper industry has mirrored the growth in GDP. Demand is driven by general commercial activity and population growth. The profitability of individual

companies depends on efficient operations, as products are sold mainly based on price. Big companies have advantages in distribution and can supply large customers. There are few economies of scale in manufacturing; large and small producers operate the same kinds of plants - large producers just have more of them. Small companies can compete successfully by making specialty products or serving a small geographical market.

India is a fast growing market for paper globally and it presents an exciting scenario; the operating capacity of the industry currently stands at 14 million MT. Of these, packaging production is about 5.9 million MT, W&P constitutes 4.8 million MT, newsprint makes for 2.5 million MT and Specialty Papers about 0.8 million MT. Amongst W&P, uncoated paper accounts for 88% or about 4.2 million MT and the balance 12% is made up of coated paper (art board, art paper and chrome paper).

Uncoated W&P is expected to increase rapidly to the level of 6.4 million MT by 2022 from the current level of 4.2 million MT. Paperboard production is estimated to increase from the present 5.9 million MT to 7.6 million MT by as early as 2017-18 with improved FMCG sales, wider reach of organized retail, penetration of healthcare into the rural economy, sustained demand for packaged products in line with rising aspiration levels and changing lifestyles.

It is estimated by industry experts that an increase in consumption by one kg per capita on a 100 basis point increase in GDP, would lead to an increase in demand of 1 million MT. With growth in GDP and increase in literacy, paper consumption in India is bound to go up. In fact, consumption in India is estimated to touch 20 million MT by 2020.

THREATS & OPPORTUNITIES

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

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

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

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

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

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

COMPANY PERSPECTIVE

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

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

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

The production facilities at Rajahmundry and Kadiyam (includes a recycle unit) have a total production capacity of 241,000 TPA. The Company employs around 2,500 employees and is headquartered at Hyderabad.

In 2011, the Andhra Pradesh Paper Mills Limited was acquired by International Paper (IP), a USD 22.4 billion American pulp and paper company founded in 1898. In the first significant domestic acquisition by a foreign paper company, IP bought 75% stake in the Company. IP, headquartered in Memphis, Tennessee, USA is the largest pulp and paper company in the world, with approximately 55,000 employees across 24 countries.

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

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

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

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

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

The Company's manufacturing units are briefly described below:

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

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

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

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

Over the past few years, IP APPM invested in 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;
- A diffused aeration system with cooling tower to improve the efficiency of the effluent treatment plant;
- Installation of state-of-art 8-pocket precision cut-size sheeter;
- Replacement of root blowers by energy efficient and environment friendly turbo blowers;
- Installation of white liquor oxidation plant for maintaining chemical balance in pulp and recovery plant;
- New drag chain conveyor and dust extraction system for controlling lime dust;
- Odour control of foul condensate system; and,
- Bark firing system.

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

RAW MATERIAL

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

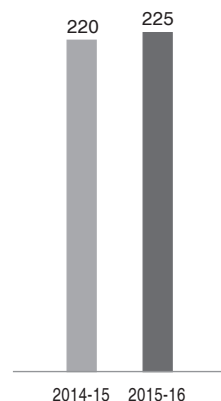
Starting from 1989, IP APPM has been the first to recognize the need to actively promote agro forestry with private land holders/farmers to meet its raw material needs in a sustainable manner. IP APPM has done path breaking work to develop its unique model of farm forestry that has helped the Company 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 distributes saplings, at concessional rate, from its nurseries and counsels farmers on the best methods to grow them thereby conserving natural resources and creating a healthier environment.

In 2015-16, IP APPM could source all its requirement of pulpwood within a radius of 350 kms (primarily within Andhra Pradesh and Telangana) 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 in the past, 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

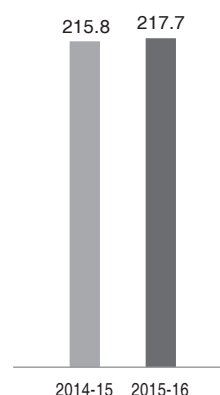
Saplings distributed

Million



Sales volume

'000 MT



and champions the cause of an eco-friendly environment. The clonal saplings distributed by the Company have started yielding results and the farmers have reported more than 100% improvement in yield per acre of wood produced.

During 2015 planting year, approximately 225 million quality saplings were distributed covering an area of 31,300 hectares under plantation, as against development and distribution of 220 million saplings covering an extent of 30,656 hectares during the previous 2014 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.

During the financial year, in order to have meaningful relationship with the farmers, the Company has started a unique initiative through the digital system by launching **www.rythukosam.com** and **Rythukosam Smart Card**. The farmers now have a direct access to avail best practices and communicate with the Company.

The initiatives taken so far with high yielding, short rotation planting stock will enhance raw material availability, spread over 245,000 hectares. These have generated a potential of over 123 million man-days especially in rural areas, so far.

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

PERFORMANCE REVIEW

The year was challenging with intense competition & our overall sales volume increased marginally though pricing was under severe pressure until 3rd quarter of the fiscal year. In this background, the endeavor therefore was to become competitive and succeed despite the headwinds.

The strategy of the Company was to adopt the best practices that International Paper stands for: the way we operate our business, the way we serve our customers, and the way we lead, develop and grow our people. The essential element of our long-term value creation strategy is to be one of the best respected companies in India. Throughout the year, all aspects of the business continued to be centred on safety, people, customers, operational excellence, sustainability and thereby become profitable and generate a free cash flow.

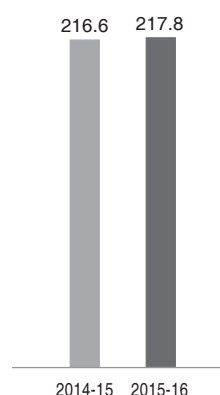
In a bid to ensure long-term sustainable growth, the Company has adopted strategic principles that enhance overall performance. The Company strived to become the low cost producer; fine tune customer support processes and systems to add excellence in delivery; and expand in printing and writing segments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

Despite a challenging environment, sales volume was 217,706 MT as compared to 215,846 MT in 2014-15. 20% of the revenues were from exports (previous year 14%) with domestic sales accounting for the balance 80%.

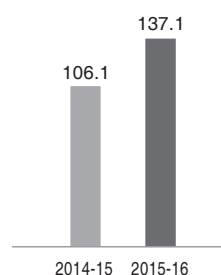
IP APPM produced 217,795 MT of paper in the year ended March 2016 as against 216,619 MT in 2014-15. Capacity utilization remained above 90% during the year. Productivity and overall machine efficiency (OME) were enhanced. In specific, gains were made in fiber, energy and chemical costs as well as by savings on overheads.

Paper production

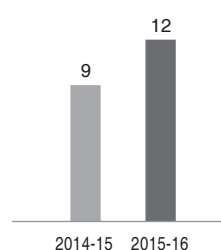
'000 MT



EBIDTA ₹ Crore



EBIDTA Margin Per cent



INTERNAL FINANCIAL CONTROL

As in the earlier years, deliberate and continuous efforts were made to become a low cost producer, raising the operating efficiencies and optimizing material consumption. Power consumption per ton of paper produced was lower by 9.4% as compared to 2014-15.

Coal consumption came down by 5.1% despite the marginal increase in paper production. Chemical cost and usage came down, while the recovery percentage was maintained at 98% during the year. Control on overhead expenses also yielded significant results.

Improving the manufacturing reliability was an aggressive initiative with better planning and scheduling as well as focused machine wise product strategy to secure continuous runs and lower downtime. This strategy helped keep the on-time-in-full (OTIF) performance above 85%.

The net revenue from operations was flat compared to previous year. However the EBITDA margin improved significantly, up by 29.2% at ₹137.1 crore as compared to ₹106.1 crore in the previous year. EBITDA as percentage of revenue increased to 12% in 2015-16 from 9% in 2014-15. Improvement in EBITDA primarily happened on the backdrop of savings in costs related to fiber, chemical, power & overhead reduction.

Debt was reduced by repayment of ₹27.5 crore with the result the debt-equity ratio was lower at 1.05:1 as against 1.21:1 at the beginning of the year. Interest cost as a percentage of both volume sold and revenue came down.

The Company generated ₹111 crore cash from operations (after tax of ₹8.8 crore) in the year under review as compared to ₹128 crore (after tax of ₹0.41 crore) in 2014-15. The net profit for the year was ₹36.9 crore while the previous year had ended with a marginal profit of ₹25 lakhs.

The year hence witnessed a remarkable turnaround despite the challenges of a sluggish market and severe competitive pressures.

IP APPM understands that financial risks can distort the financial reporting and disclosures. IP APPM recognizes that such risks, if not managed well, can affect its customers, employees, shareholders and other stakeholders. To manage these risks, the Company has designed various controls around its key financial processes and carries out periodical assessments of the adequacy and effectiveness of such controls.

Such controls are tailor made keeping the business and operation environment and dynamics of IP APPM. A comprehensive control design and assessment framework has been prepared to see through the risks and periodic changes are made in line with emerging complexities and business needs. Impact of the financial risks and Company's exposures are managed optimally without hampering the business growth and opportunities. The systems are aligned to deliver safe, reliable and compliance focused business practices.

The rigorous internal financial control policies and procedures facilitate orderly and efficient conduct of business, enable adherence to corporate policies, safeguard assets, prevent and detect frauds and errors and ensure timely preparation of accurate, complete and reliable financial statements.

The controls and procedures are designed to provide adequate disclosure including deviations from control systems; enable evaluation of the effectiveness of the laid down systems; and offer reasonable assurance about the disclosure and reporting practices.

INFORMATION TECHNOLOGY

SAP FICSM (Finance, Capital, Source, Maintenance, Order Management and Manufacturing) implementation enabled us to be part of IP's standard application portfolio with global processes. Also, it integrates sales force for order management. Banking operations are active with interface connectivity which has provided seamless flow of transactions from Bank to Business.

Global methodology in project systems, plant maintenance and product costing got activated. There is no manual intervention while reporting monthly figures to Hyperion system. All inventory points in manufacturing processes are tracked and BOM's activated for each stage. Barcode process is used for tracking inventory.

New weighment scale software, 'Scale Boss' is in use. There are simplified and standardized processes with greater integration to cross modules (Production, finance and costing). This is an efficient system providing long-term viability for operations.

FICSM has transformed and streamlined the APPM business processes by enriching them with global best practices. The benefits include simplified, standardized and streamlined business processes with greater integration across the enterprise.

HUMAN RESOURCES

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

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

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

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

In order to achieve planned growth, each team member is encouraged to perform to potential. The Company embraces flexibility, open mindedness and innovation with the result individuals and teams find new paper solution, an innovative logistics answer or a bold marketing idea.

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

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

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

OUTLOOK

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

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

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

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

Management of Risks

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

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

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

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

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

The following factors are considered for determining the materiality:

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

The industry specific risks are broadly discussed below:

RAW MATERIALS

The paper industry requires a sustainable supply of wood to survive and flourish. Wood accounts for 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 that are required. They are also counselled on nurturing the trees so that availability is guaranteed.

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

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

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

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

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

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

GENERAL ECONOMIC FACTORS

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

Global pressures notwithstanding, the Indian economy is expected to grow much higher than the world average and report a GDP growth of around 8% in 2015-16. Despite the digitalization trend, the paper industry will benefit from the stimulus packages and investment in education being made by the Union Government. Higher literacy and aspiration levels of the people are expected to further increase the rate at which the paper industry is growing.

CYCLICALITY OF INDUSTRY

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

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

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

HEIGHTENED COMPETITION IN THE INDUSTRY

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

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

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

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

PRODUCT SUBSTITUTION

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

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

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

TECHNOLOGY

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

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

UTILITIES

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

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

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

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

EXCHANGE RATE

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

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

INTEREST RATE

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

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

Risks from cash flow fluctuations are recognized in a timely manner as part of the liquidity planning. Receivables from customers as at March 31, 2015 were under control at 20 days. The debt:equity ratio was 1.05:1 as at the balance sheet date on March 31, 2016.

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

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

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

ENVIRONMENT

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

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

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

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

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

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

Report on Corporate Governance

1. Company's philosophy on Code of Governance

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

2. Board of Directors

a. Composition of Board

As on March 31, 2016, the Company has 9 Directors with one Chairman & Managing Director. Of the 9 Directors, 5 are Independent Non-Executive Directors, 3 are Non-Executive Directors and one Executive Director.

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

| Name | Category of Directorship | Attendance Particulars | | No. of other directorships ¹ | Committee ² | |
|---|------------------------------------|------------------------|-------------|---|------------------------|--------------------|
| | | No. of Board Meetings | Last A.G.M. | | Member ships | Chair Person ships |
| Mr. Rampraveen Swaminathan (Chairman & Managing Director) | Executive Director | 4 | Yes | — | — | — |
| Mr. Thomas G. Kadien | Non-Executive Director | 3 | No | — | — | — |
| Ms. Shiela P. Vinczeller | Non-Executive Director | 4 | No | — | — | — |
| Ms. Jayashree Satagopan ³ | Non-Executive Director | 1 | NA | — | — | — |
| Ms. Ann Barbara Wroblewski ⁴ | Non-Executive Director | 4 | No | — | — | — |
| Mr. M.S. Ramachandran | Independent Non-Executive Director | 4 | No | 5 | 2 | 1 |
| Ms. Ranjana Kumar | Independent Non-Executive Director | 4 | No | 4 | 1 | 1 |
| Mr. Adhiraj Sarin | Independent Non-Executive Director | 4 | Yes | — | — | — |
| Mr. Milind Sarwate | Independent Non-Executive Director | 3 | No | 5 | 3 | 4 |
| Mr. Praveen P. Kadle | Independent Non-Executive Director | 3 | No | 9 | 2 | 1 |

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

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

³ Resigned from the Board of Directors with effect from April 24, 2015.

⁴ Appointed as Additional Director with effect from April 23, 2015.

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

During the financial year, four meetings of Board of Directors were held on April 23, 2015; July 23, 2015; October 20, 2015 and January 21, 2016.

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

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

f. The familiarization program imparted during the year under review to the Independent Directors is placed on the Company's website viz., www.ipappm.com.

3. Audit Committee

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

a. Terms of reference

- i. Oversight of the Company's financial reporting process and disclosure of its financial information to ensure accuracy and correctness;
- ii. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- iii. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv. Discussion and review, with the management and auditors, of the annual/quarterly financial statements before submission to the Board, with particular reference to the following:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgment by management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with listing and other legal requirements relating to financial statements;
 - Disclosure of any related party transactions;
 - Qualifications in the draft audit report;
- v. Review the functioning of the whistle blower mechanism;
- vi. Evaluation of internal financial controls and risk management systems.

b. Composition of Audit Committee

The Composition of Audit Committee as on March 31, 2016 is as follows:

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

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

c. Meetings and attendance during the year

During the financial year, Audit Committee met four times on April 22, 2015; July 22, 2015; October 19, 2015 and January 21, 2016.

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 | 3 |
| Mr. Adhiraj Sarin | 4 | 4 |
| Mr. Praveen P. Kadle | 4 | 3 |
| Mr. Thomas G. Kadien | 4 | 3 |
| Mr. Rampraveen Swaminathan | 4 | 4 |

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

4. Nomination and Remuneration Committee

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

a. Terms of reference

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

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

- Formulating criteria for determining the qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees;
- Devise a policy on Board diversity;
- Recommending the remuneration of managerial personnel viz. Managing Director or Whole-time Director.

b. Composition of Nomination and Remuneration Committee

The composition of Nomination and Remuneration Committee as on March 31, 2016 is as follows:

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

c. Meetings and attendance during the year

During the financial year, Nomination and Remuneration Committee met on October 19, 2015 and January 20, 2016.

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

| Name | Number of Meetings held | Number of Meetings attended |
|----------------------------|-------------------------|-----------------------------|
| Mr. Adhiraj Sarin | 2 | 2 |
| Mr. M.S. Ramachandran | 2 | 2 |
| Ms. Shiela P. Vinczeller | 2 | 2 |
| Mr. Rampraveen Swaminathan | 2 | 2 |

d. Performance evaluation criteria for independent directors

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

5. Remuneration of Directors

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

The details of sitting fees paid to the Non-Executive Directors during the financial year ended March 31, 2016 were as follows:

| Name | In ₹ Lakhs* |
|-----------------------|--------------|
| Mr. M.S. Ramachandran | 7.00 |
| Ms. Ranjana Kumar | 7.00 |
| Mr. Adhiraj Sarin | 8.50 |
| Mr. Milind Sarwate | 5.25 |
| Mr. Praveen P. Kadle | 5.25 |
| TOTAL | 33.00 |

*The amount is exclusive of Service Tax and Swachh Bharat Cess

b. Criteria of making payments to Non-Executive Directors

The Board of Directors at its meeting held on July 22, 2014 approved to pay Non-Executive Directors a sitting fees of ₹100,000 per meeting for attending the Board Meeting and ₹75,000 per meeting for attending the Committees of Board Meetings with effect from July 1, 2014.

c. Disclosure with respect to remuneration

In terms of Special Resolution passed by the Members at the 51st Annual General Meeting held on August 27, 2015, Performance Incentive of ₹59.62 lakhs was paid to Mr. Rampraveen Swaminathan during the financial year ended March 31, 2016.

No other element of remuneration package is paid to the Non-Executive Directors except payment of sitting fees to the Independent Non Executive Directors.

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

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

6. Stakeholders Relationship Committee

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

During the financial year, the Stakeholders Relationship Committee met on April 22, 2015 and January 20, 2016.

- b. The Board designated Mr. C. Prabhakar, Sr. Vice President (Corporate Affairs) & Company Secretary as Compliance Officer.
- c. The details of the status of complaints received from the shareholders during the financial year ended March 31, 2016 are furnished below:

| | |
|--|---|
| No. of shareholders' complaints received during the financial year | 9 |
| No. of complaints solved to the satisfaction of shareholders | 9 |
| No. of pending complaints as on March 31, 2016 | — |

7. General Body Meetings

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

| Year ended | Date and time | Venue |
|-------------|----------------------------------|--|
| March, 2013 | August 6, 2013 at 11.30 a.m. | Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103 |
| March, 2014 | August 27, 2014 at 11.30 a.m. | Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103 |
| March, 2015 | August 27, 2015 at 11.30 a.m. | Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103 |

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

| Date | Description of Special Resolutions passed |
|-----------------|--|
| August 6, 2013 | 1. Appointment of Mr. W. Michael Amick, Jr. as a Director & Executive Chairman; 2. Payment of minimum remuneration to Mr. Rampraveen Swaminathan, Managing Director & CEO; 3. Payment of minimum remuneration to Mr. P.K Suri, former Director (Operations). |
| August 27, 2014 | 1. Borrowing of moneys in excess of the aggregate of the paid up share capital and free reserves of the Company; 2. Creation of mortgage and/or charge and/or hypothecation on movable and/or immovable properties of the Company. |
| August 27, 2015 | 1. Adoption of new Articles of Association of the Company; 2. Appointment of Mr. Rampraveen Swaminathan as Chairman & Managing Director; 3. Approval for entering into transactions with IP India Foundation, a Wholly Owned Subsidiary Company, under Section 188 of the Companies Act, 2013. |

- c. No special resolution was passed through postal ballot during the financial year ended March 31, 2016. However, all resolutions were passed through E-voting, Postal Ballot and poll at the 51st Annual General Meeting of the Company held on August 27, 2015.
- d. At present, no special resolution is proposed to be conducted through postal ballot. The procedure laid down in Companies (Management and Administration) Rules, 2014 would be followed, as and when necessary.

8. Means of Communications

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

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

9. General Shareholder Information

a. Date, Time and Venue of Annual General Meeting

| | Date & time | Venue |
|-----------------------------|--------------------------------|---|
| 52nd Annual General Meeting | July 27, 2016 at 12:00 noon | Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry - 533 103, East Godavari District, Andhra Pradesh, India |

b. Financial calendar (Tentative and subject to change)

Financial year: April 1, 2016 to March 31, 2017

| Particulars | Period ended | On or before |
|--|--------------------|--------------------|
| Unaudited Financial Results for the quarter ending | June 30, 2016 | August 14, 2016 |
| Unaudited Financial Results for the quarter ending | September 30, 2016 | November 14, 2016 |
| Unaudited Financial Results for the quarter ending | December 31, 2016 | February 14, 2017 |
| Audited Financial Results for the year ending | March 31, 2017 | May 30, 2017 |
| Annual General Meeting for the year ending | March 31, 2017 | September 30, 2017 |

c. Date of payment of Dividend (If any)

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

d. Listing on stock exchanges

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

The Company paid the annual listing fees for the financial year 2016-17 in April 2016 to BSE and NSE.

e. Stock Code

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

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

| Month | | Share price ₹ | | BSE Sensex | |
|-------|-----------|---------------|--------|------------|----------|
| | | High | Low | High | Low |
| 2015 | April | 349.50 | 267.50 | 29094.61 | 26897.54 |
| | May | 349.00 | 274.40 | 28071.16 | 26423.99 |
| | June | 324.00 | 279.70 | 27968.75 | 26307.07 |
| | July | 344.90 | 285.20 | 28578.33 | 27416.39 |
| | August | 391.70 | 276.40 | 28417.59 | 25298.42 |
| | September | 303.00 | 255.00 | 26471.82 | 24833.54 |
| | October | 294.70 | 256.05 | 27618.14 | 26168.71 |
| | November | 272.00 | 249.35 | 26824.30 | 25451.42 |
| | December | 282.50 | 246.10 | 26256.42 | 24867.73 |
| 2016 | January | 289.60 | 216.05 | 26197.27 | 23839.76 |
| | February | 282.20 | 225.30 | 25002.32 | 22494.61 |
| | March | 312.95 | 256.10 | 25479.62 | 23133.18 |

b. NSE

| Month | | Share price ₹ | | NIFTY 50 | |
|-------|-----------|---------------|--------|----------|---------|
| | | High | Low | High | Low |
| 2015 | April | 349.00 | 267.30 | 8844.80 | 8144.75 |
| | May | 349.50 | 272.55 | 8489.55 | 7997.15 |
| | June | 324.50 | 280.25 | 8467.15 | 7940.30 |
| | July | 344.70 | 288.00 | 8654.75 | 8315.40 |
| | August | 391.10 | 275.10 | 8621.55 | 7667.25 |
| | September | 303.55 | 255.30 | 8055.00 | 7539.50 |
| | October | 295.00 | 256.15 | 8336.30 | 7930.65 |
| | November | 267.70 | 246.50 | 8116.10 | 7714.15 |
| | December | 282.40 | 245.70 | 7979.30 | 7551.05 |
| 2016 | January | 289.00 | 216.15 | 7972.55 | 7241.50 |
| | February | 282.65 | 225.20 | 7600.45 | 6961.40 |
| | March | 312.95 | 257.00 | 7777.60 | 7035.10 |

h. The securities of the Company are not suspended from trading during the financial year ended March 31, 2016.

i. Registrar and Share Transfer Agent

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

j. Share Transfer System

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

k. Distribution of Equity Shareholding as on March 31, 2016

| Nominal value of equity shares ₹ | Shareholders | | Value | |
|----------------------------------|---------------|---------------|--------------------|---------------|
| | Number | % | ₹ | % |
| 1 - 5000 | 11,402 | 87.41 | 12,868,970 | 3.23 |
| 5001 - 10000 | 753 | 5.77 | 5,830,170 | 1.47 |
| 10001 - 20000 | 404 | 3.10 | 5,933,080 | 1.49 |
| 20001 - 30000 | 132 | 1.01 | 3,414,390 | 0.86 |
| 30001 - 40000 | 81 | 0.62 | 2,873,160 | 0.72 |
| 40001 - 50000 | 59 | 0.45 | 2,770,050 | 0.70 |
| 50001 - 100000 | 95 | 0.73 | 6,914,530 | 1.74 |
| 100001 and above | 119 | 0.91 | 357,096,040 | 89.79 |
| TOTAL | 13,045 | 100.00 | 397,700,390 | 100.00 |

Category of equity shareholders as on March 31, 2016

| Category | No. of shares held | % |
|---|--------------------|---------------|
| A. Foreign promoter | 29,827,529 | 75.00 |
| B. Public shareholdings | | |
| 1. Institutional investors | | |
| a. Mutual funds, foreign portfolio investors, financial institutions/banks, insurance companies | 1,506,772 | 3.79 |
| b. Foreign banks | 150 | 0.00 |
| Sub-total | 1,506,922 | 3.79 |
| 2. Non-institutions | | |
| a. Indian public | 6,119,003 | 15.39 |
| b. NBFC registered with RBI | 75,636 | 0.19 |
| c. Bodies corporate | 1,756,782 | 4.42 |
| d. Foreign nationals | 14,000 | 0.03 |
| e. Non-Resident Indians | 388,020 | 0.98 |
| f. Clearing members | 64,214 | 0.16 |
| g. Trusts | 17,933 | 0.04 |
| Sub-total | 8,435,588 | 21.21 |
| Total public shareholding (1+2) | 9,942,510 | 25.00 |
| Total (A+B) | 39,770,039 | 100.00 |

I. Dematerialization of shares as on March 31, 2016

| Depository name | No. of shares dematerialized | Percentage on equity share capital |
|---|------------------------------|------------------------------------|
| National Securities Depository Limited | 36,922,096 | 92.84 |
| Central Depository Services (India) Limited | 2,505,989 | 6.30 |
| Total dematerialized shares | 39,428,085 | 99.14 |

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

n. **Commodity price risk or foreign exchange risk and hedging activities:** Furnished as part of the Board's Report in page 27 and under the head 'Management of Risks' in pages 61 to 64.

o. Plant Locations

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

p. Address for correspondence from shareholders

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

q. Email IDs for investor grievance redressal:

- nagendrarao.mittapalli@ipaper.com
- ashok.yaramaneni@ipaper.com

10. Other Disclosures

a. Disclosure on materially significant related party transactions

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

b. Details of non-compliance by the Company

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

c. Whistle Blower Policy

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

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

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

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

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

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

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

12. CEO/CFO Certification

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

13. Equity shares in the Unclaimed Shares Demat Suspense Account

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

The particulars of shares in 'International Paper APPM Limited - Unclaimed Shares Demat Suspense Account' as on March 31, 2016 are as follows:

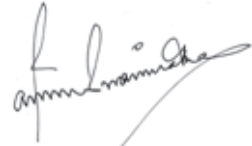
| | Number of shareholders | No. of equity shares |
|---|-----------------------------------|---------------------------------|
| Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Shares Demat Suspense Account at the beginning of the year | 5 | 121 |
| Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Shares Demat Suspense Account during the year | – | – |
| Number of shareholders to whom shares were transferred from the Unclaimed Shares Demat Suspense Account during the year | – | – |
| Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Shares Demat Suspense Account as on March 31, 2016 | 5 | 121 |

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

Declaration by the Managing Director & CEO

The Members of
International Paper APPM Limited

In compliance with the Regulation 34 (3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, I confirm that, on the basis of confirmations/declarations received, all the Members of the Board of Directors and senior management personnel of the Company have complied with the Code of Business Conduct and Ethics framed by the Company for the financial year ended March 31, 2016.



Rampraveen Swaminathan
Chairman & Managing Director

Hyderabad
April 22, 2016

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER SEBI (LODR) REGULATIONS, 2015

Certificate

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

We have examined the compliance of conditions of Corporate Governance by International Paper APPM Limited (Formerly known as The Andhra Pradesh Paper Mills Limited) ('the Company'), for the year ended on March 31, 2016, as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as per the Listing Agreement entered into by 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 further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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



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

Hyderabad,
April 22, 2016

Independent Auditors' Report

TO THE MEMBERS OF
INTERNATIONAL PAPER APPM LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **International Paper APPM Limited** ('the Company'), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143 (11) of the Act.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

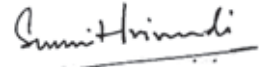
1. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

- c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
- e. On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of

our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government in terms of Section 143(11) of the Act, we give in 'Annexure B' a statement on the matters specified in paragraphs 3 and 4 of the Order.

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



Sumit Trivedi
Partner
(Membership No. 209354)

Hyderabad
April 22, 2016

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the internal financial controls over financial reporting of International Paper APPM Limited ('the Company') as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

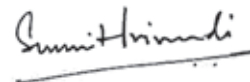
of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively

as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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



Sumit Trivedi
Partner
(Membership No. 209354)

Hyderabad
April 22, 2016

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed/transfer deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.
- (ii) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013.
- (vi) The maintenance of cost records has been specified by the Central Government under Section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government under sub-section (1) of the Section 148 of the Companies Act, 2013 and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We

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

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

(a) The Company has generally been regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.

(c) Details of dues of income tax, sales tax, service tax, custom duty, excise duty and value added tax which have not been deposited as on March 31, 2016 on account of disputes are given below:

| Name of statute | Nature of dues | Forum where dispute is pending | Period to which the amount relates | Amount involved (₹ Lakhs) | Amount unpaid (₹ Lakhs) |
|--|----------------|---|------------------------------------|---------------------------|-------------------------|
| Income Tax Act, 1961 | Tax | Commissioner of Income Tax (Appeals), Visakhapatnam | 2010-11 and 2011-12 | 524.87 | 524.87 |
| | | Deputy Commissioner of Income Tax (TDS), Hyderabad | 2009-10 | 19.96 | 19.96 |
| | | High Court of Andhra Pradesh | 2001-02 to 2003-04 | 12.64 | 12.64 |
| | | Income Tax Appellate Tribunal, Hyderabad | 2001-02 to 2003-04 | 14.26 | 14.26 |
| | | | 2008-09 | 40.08 | 40.08 |
| | | Income Tax Office, TDS, Rajahmundry | 2008-09 | 2.12 | 2.12 |
| | | | 2010-11 | 1.78 | 1.78 |
| | Interest | High Court of Andhra Pradesh | 1979-80 | 24.96 | 24.96 |
| Central Sales Tax Act, 1956 | Tax | Appellate Deputy Commissioner, Visakhapatnam | 2006-07 to 2008-09 | 43.58 | 34.32 |
| | | High Court of Andhra Pradesh | 1989-90 and 1991-92 | 5.70 | 5.70 |
| | | Sales Tax Appellate Tribunal, Visakhapatnam | 2005-06 | 33.82 | 16.91 |
| Andhra Pradesh General Sales Tax Act, 1957 & Central Sales Tax Act, 1956 | Tax | Sales Tax Appellate Tribunal, Visakhapatnam | 1995-96 to 1999-2000 | 27.41 | 27.41 |
| Andhra Pradesh General Sales Tax Act, 1957 | Tax | High Court of Andhra Pradesh | 1987-88 | 0.19 | 0.19 |
| | | | 1990-99, 2000-01 to 2004-05 | 126.78 | 126.78 |
| | | Sales Tax Appellate Tribunal, Visakhapatnam | 1996-97 | 10.82 | 6.57 |
| AP Value Added Tax Act, 2005 | Penalty | Assistant Commissioner, LTU, Kakinada | 2009-2012 | 1.81 | 1.77 |
| | Tax | Appellate Deputy Commissioner, Visakhapatnam | 2009-10 and 2014-15 | 214.44 | 187.97 |
| Madhya Pradesh Value Added Tax Act, 2002 | Tax | High Court, Madhya Pradesh | 1997-98 | 15.00 | 15.00 |

Contd.

| Name of statute | Nature of dues | Forum where dispute is pending | Period to which the amount relates | Amount involved (₹ Lakhs) | Amount unpaid (₹ Lakhs) |
|-----------------------------------|-----------------------|---|------------------------------------|---------------------------|-------------------------|
| West Bengal Value Added Tax, 2005 | Tax | Additional Commissioner of Commercial Taxes | 2009-10 | 1.78 | 1.78 |
| Orissa Entry Tax Act, 1999 | Tax | Deputy Commissioner of Commercial Taxes | 2006-07 to 2009-10 | 4.24 | 3.38 |
| Central Excise Act, 1944 | Duty | Customs, Excise & Service Tax Appellate Tribunal, Bangalore | 2002-03 | 3.00 | 3.00 |
| | | | 2004-05 to 2010-11 | 624.21 | 624.21 |
| | | Commissioner of Central Excise (Appeals), Visakhapatnam | 2008-09 and 2009-10 | 1.86 | 1.86 |
| | | High Court of Andhra Pradesh | 1996-97 and 1997-98 | 10.90 | 10.90 |
| | | | February, 1994 | 0.36 | 0.36 |
| | | | 2004-05 | 0.10 | 0.10 |
| | Duty & Penalty | Customs, Excise & Service Tax Appellate Tribunal, Bangalore | 2001 to 2012 | 2,817.29 | 2,754.28 |
| | | Commissioner of Central Excise (Appeals), Visakhapatnam | 1998 - 99 | 67.63 | 67.63 |
| | | | 2000-01 to 2003-04 | 542.61 | 542.61 |
| | | | 2006-07 to 2008-09 | 6.78 | 6.78 |
| | | | 2010-11 to 2015-16 | 38.01 | 38.01 |
| | | High Court of Andhra Pradesh | 2004-05 to 2007-08 | 386.66 | 386.66 |
| | Penalty | Customs, Excise & Service Tax Appellate Tribunal, Bangalore | 2003-04 to 2010-11 | 531.22 | 531.22 |
| Finance Act, 1994 | Service Tax | High Court of Andhra Pradesh | 2004-05 and 2005-06 | 126.50 | 126.50 |
| | Service Tax & Penalty | Commissioner of Central Excise (Appeals), Visakhapatnam | 2004-05 to 2012-13 | 353.85 | 353.85 |
| | | Customs, Excise & Service Tax Appellate Tribunal, Bangalore | 2004-05 to 2008-09 | 202.81 | 202.81 |
| | | | March, 2012 | 105.11 | 105.11 |

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

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

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

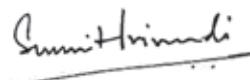
(xi) In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the

Company has not entered into any non-cash transactions with its Directors or directors of its holding or subsidiary company or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable. The Company does not have an associate company.

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

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



Sumit Trivedi
Partner
(Membership No. 209354)

Hyderabad
April 22, 2016

Balance Sheet as at March 31, 2016

| (In ₹ Lakhs) | Note | As at March 31, 2016 | As at March 31, 2015 |
|--|------|-------------------------|-------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 3,977.00 | 3,977.00 |
| Reserves and surplus | 4 | 41,117.39 | 37,428.08 |
| | | 45,094.39 | 41,405.08 |
| Non-current liabilities | | | |
| Long-term borrowings | 5A | 30,401.03 | 23,727.30 |
| Deferred tax liabilities (Net) | 6 | 12,088.70 | 10,141.54 |
| Other long-term liabilities | 7A | — | 0.49 |
| Long-term provisions | 8A | 295.38 | — |
| | | 42,785.11 | 33,869.33 |
| Current liabilities | | | |
| Short-term borrowings | 5B | 14,347.79 | 9,132.47 |
| Trade payables | | | |
| Total outstanding dues of micro enterprises and small enterprises | 9 | 74.53 | 113.06 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 9 | 15,430.97 | 15,509.79 |
| Other current liabilities | 7B | 7,956.14 | 22,933.48 |
| Short-term provisions | 8B | 1,090.66 | 1,631.48 |
| | | 38,900.09 | 49,320.28 |
| TOTAL | | 126,779.59 | 124,594.69 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 10A | 81,364.65 | 82,989.00 |
| Intangible assets | 10B | 682.83 | 322.30 |
| Capital work-in-progress | | 1,713.57 | 1,584.21 |
| Non-current investments | 11 | 1,543.37 | 1,543.37 |
| Long-term loans and advances | 12A | 7,297.76 | 6,595.17 |
| Other non-current assets | 13A | 40.78 | 14.44 |
| | | 92,642.96 | 93,048.49 |
| Current assets | | | |
| Inventories | 14 | 21,370.87 | 20,121.15 |
| Trade receivables | 15 | 7,068.84 | 6,385.99 |
| Cash and cash equivalents | 16 | 1,014.32 | 422.89 |
| Short-term loans and advances | 12B | 4,588.30 | 4,401.26 |
| Other current assets | 13B | 94.30 | 214.91 |
| | | 34,136.63 | 31,546.20 |
| TOTAL | | 126,779.59 | 124,594.69 |

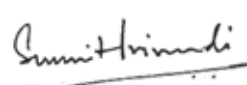
Corporate information & significant accounting policies 1 & 2
See accompanying notes forming part of the financial statements

In terms of our report attached


For International Paper APPM Limited

For Deloitte Haskins & Sells
Chartered Accountants


Rampraveen Swaminathan
Chairman & Managing Director


Sumit Trivedi
Partner


Badrinath Chellappa
Vice President & CFO


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

Hyderabad
April 22, 2016

Statement of Profit and Loss for the year ended March 31, 2016

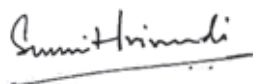
| (In ₹ Lakhs) | Note | Year ended March 31, 2016 | Year ended March 31, 2015 |
|--|------|------------------------------|------------------------------|
| INCOME | | | |
| Revenue from operations (Gross) | 17 | 121,625.07 | 123,074.70 |
| Less: Excise Duty | | 5,644.12 | 6,750.49 |
| Revenue from operations (Net) | | 115,980.95 | 116,324.21 |
| Other income | 18 | 645.62 | 1,070.19 |
| TOTAL REVENUE | | 116,626.57 | 117,394.40 |
| EXPENSES | | | |
| Cost of materials consumed | 19 | 50,794.30 | 52,352.11 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 20 | 855.83 | (320.53) |
| Employee benefits expense | 21 | 12,924.53 | 12,154.42 |
| Finance costs | 22 | 4,029.58 | 4,459.50 |
| Depreciation and amortization expense | 10C | 7,317.62 | 6,900.04 |
| Other expenses | 23 | 38,338.89 | 42,592.47 |
| TOTAL EXPENSES | | 114,260.75 | 118,138.01 |
| Profit/(Loss) before exceptional items and tax | | 2,365.82 | (743.61) |
| Exceptional items (Refer Note 42) | | 3,270.65 | 112.92 |
| Profit/(Loss) before tax | | 5,636.47 | (630.69) |
| Tax expense/(benefit) | | | |
| Current tax expense | | 1,227.06 | 0.23 |
| MAT credit | | (1,227.06) | — |
| Net current tax expense | | — | 0.23 |
| Deferred tax | | 1,947.16 | (655.70) |
| Net tax expense/(benefit) | | 1,947.16 | (655.47) |
| Profit after tax | | 3,689.31 | 24.78 |
| Earnings per share (Face value of ₹10 each) Basic & Diluted | 29 | 9.28 | 0.06 |
| 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

Rampraveen Swaminathan
Chairman & Managing Director



Sumit Trivedi
Partner



Badrinath Chellappa
Vice President & CFO



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

Hyderabad
April 22, 2016

Cash Flow Statement for the year ended March 31, 2016

| (In ₹ Lakhs) | Year ended March 31, 2016 | | Year ended March 31, 2015 | |
|---|------------------------------|-------------------|------------------------------|-------------------|
| A. Cash flow from operating activities | | | | |
| Profit/(Loss) before tax after exceptional items | | 5,636.47 | | (630.69) |
| <i>Adjustments for:</i> | | | | |
| Depreciation and amortisation expense | 7,317.62 | | 6,900.04 | |
| Profit/(Loss) on sale of fixed assets (Net) | 54.33 | | (370.75) | |
| Finance costs | 4,029.58 | | 4,459.50 | |
| Interest income | (34.75) | | (32.65) | |
| Rental income from operating leases | (41.81) | | (8.81) | |
| Bad trade receivables and advances written-off (Net) | 23.82 | | 26.57 | |
| Liabilities/provisions no longer required written back | (427.52) | | (340.20) | |
| Provision for doubtful trade receivables and advances | 53.12 | | 21.26 | |
| Exceptional Items | (3,270.65) | | (112.92) | |
| Net unrealized exchange (gain)/loss | 2.10 | 7,705.84 | (123.63) | 10,418.41 |
| Operating profit before working capital changes | | 13,342.31 | | 9,787.72 |
| Changes in working capital: | | | | |
| <i>Adjustments for (increase)/decrease in operating assets:</i> | | | | |
| Inventories | (1,249.72) | | 643.18 | |
| Trade receivables | (718.23) | | (552.53) | |
| Short-term loans and advances | (228.59) | | 2,195.95 | |
| Long-term loans and advances | 116.05 | | (561.15) | |
| Other current assets | 126.91 | | 34.28 | |
| Changes in balances held as margin money/security for bank guarantees | (23.06) | | 60.58 | |
| <i>Adjustments for increase/(decrease) in operating liabilities:</i> | | | | |
| Trade payables | 37.75 | | 1,112.09 | |
| Other current liabilities | 316.95 | | 91.56 | |
| Other long-term liabilities | (0.49) | | (23.35) | |
| Long-term provisions | 295.38 | (1,327.05) | – | 3,000.61 |
| Cash generated from operations | | 12,015.26 | | 12,788.33 |
| Net income tax (paid)/refund | | (882.01) | | 40.78 |
| Net cash flow from operating activities (A) | | 11,133.25 | | 12,829.11 |
| B. Cash flow from investing activities | | | | |
| Capital expenditure on fixed assets, including capital advances | (3,960.68) | | (3,660.06) | |
| Proceeds from sale of fixed assets | 93.87 | | 472.63 | |
| Interest received | 25.34 | | 36.68 | |
| Rental income from operating leases | 41.81 | (3,799.66) | 8.81 | (3,141.94) |
| Net cash flow used in investing activities (B) | | (3,799.66) | | (3,141.94) |

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|--|------------------------------|------------------------------|
| C. Cash flow from financing activities | | |
| Share application money received/(refunded) | — | (0.05) |
| Proceeds from long-term borrowings | 25,600.00 | 5,747.95 |
| Proceeds from short-term borrowings | 12,000.00 | 4,250.00 |
| Net increase/(decrease) in working capital borrowings | (5,186.84) | (1,919.54) |
| Repayment of long-term borrowings (including current maturities of the same) | (33,437.33) | (10,374.36) |
| Repayment of short-term borrowings | (1,600.00) | (3,900.00) |
| Repayment of public deposit | — | (44.55) |
| Finance cost | (4,116.28) | (4,539.73) |
| Net cash flow from/(used in) financing activities (C) | (6,740.45) | (10,780.28) |
| Net increase/(decrease) in Cash and cash equivalents (A+B+C) | 593.14 | (1,093.11) |
| Cash and cash equivalents at the beginning of the year | 369.17 | 1,462.28 |
| Cash and cash equivalents at the end of the year (Refer Note 16) | 962.31 | 369.17 |
| Reconciliation of Cash and cash equivalents with the Balance Sheet: | | |
| Cash and cash equivalents (Refer Note 16) | 1,014.32 | 422.89 |
| Less: Bank balances not considered as cash and cash equivalents as defined in AS 3 Cash Flow Statements In earmarked accounts (Refer Note below) | | |
| Balances held as margin money or security against gurarantees and other commitments | 47.14 | 47.31 |
| Unpaid dividend accounts | 4.12 | 5.66 |
| Share application money received for allotment of securities and due for refund | 0.75 | 53.72 |
| Cash and cash equivalents at the end of the year (Refer Note 16) | 962.31 | 369.17 |

Notes:

These earmarked account balances with banks can be utilised only for the specific identified purposes.

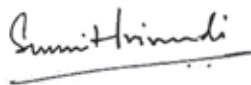
See accompanying notes forming part of the financial statements.

In terms of our report attached

For International Paper APPM Limited

For Deloitte Haskins & Sells
Chartered Accountants


Rampraveen Swaminathan
Chairman & Managing Director


Sumit Trivedi

Partner

Hyderabad
April 22, 2016


Badrinath Chellappa
Vice President & CFO


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

Notes forming part of the Financial Statements

1. Corporate Information

International Paper APPM Limited ('IP APPM'/the Company') is an integrated pulp and paper manufacturer. IP APPM was incorporated on June 29, 1964 in pursuance to 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 vide an agreement dated December 12, 2003 agreed 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 acquired controlling stake of 75% of paid up share capital in the Company from the promoters and public shareholders. Pursuant to such acquisition, IP Holding Asia Singapore Pte. Limited, became the Holding Company of IP APPM 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 prescribed under Section 133 of the Companies Act, 2013, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year, except for the change in accounting policy for depreciation as more fully described in Note 38(a).

b. Use of estimates

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

c. Inventories

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

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

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

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

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

e. Cash flow statement

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

f. Depreciation and amortization

Tangible assets

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

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

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

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

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

Intangible assets

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

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

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

g. Revenue recognition and other income

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

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

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

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

h. Fixed assets

Tangible/intangible assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes the cost of acquisition/construction, non-refundable taxes, duties, freight, borrowing costs attributable to acquisition of the qualifying fixed assets up to the date the asset is ready

for its intended use and other incidental expenses related to the acquisition and installation of the respective assets. Exchange differences arising on restatement/settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets in accordance with the provisions of para 46/46A of AS11 'The Effects of Changes in Foreign Exchange Rates.'

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

Capital work-in-progress

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

i. Foreign currency transactions

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

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

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

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

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

j. Employee benefits

Defined Contribution Plans

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

Provident fund

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

Superannuation

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

Defined Benefit Plans

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

Gratuity

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

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

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The Company fully contributes all ascertained liabilities to the fund maintained with 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 recognized in the period in which the absences occur.

k. Borrowing costs

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

l. Leases

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

m. Earnings per share

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

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

n. Taxes on income

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

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

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

o. Investments

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

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

p. Impairment of assets

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

q. Provisions and contingencies

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

r. Service tax input credit

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

s. Operating cycle

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

3. Share capital

| (In ₹ Lakhs) | As at March 31, 2016 | | As at March 31, 2015 | |
|--|-------------------------|-----------------|-------------------------|-----------------|
| | Number of shares | Amount | Number of shares | Amount |
| Authorised | | | | |
| Equity shares of ₹10 each | 40,000,000 | 4,000.00 | 40,000,000 | 4,000.00 |
| Redeemable cumulative preference shares of ₹100 each | 500,000 | 500.00 | 500,000 | 500.00 |
| TOTAL | 40,500,000 | 4,500.00 | 40,500,000 | 4,500.00 |
| Issued, subscribed and fully paid up | | | | |
| Equity shares of ₹10 each | 39,770,039 | 3,977.00 | 39,770,039 | 3,977.00 |
| TOTAL | 39,770,039 | 3,977.00 | 39,770,039 | 3,977.00 |

Notes

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

| | As at March 31, 2016 | | As at March 31, 2015 | |
|-----------------------------|-------------------------|----------|-------------------------|----------|
| | 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 face value of ₹10 each per share. Each holder of equity shares is entitled to one vote per share. The dividend (other than interim dividend) proposed, if any, by the Board of Directors is subject to the approval of the shareholders in the 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, 2016 | As at March 31, 2015 |
|---|-------------------------|-------------------------|
| | Number of shares | Number of shares |
| IP Holding Asia Singapore Pte. Limited [#] | 29,827,529 | 29,827,529 |

[#] 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, 2016 | | As at March 31, 2015 | |
|--|-------------------------|-------|-------------------------|-------|
| | Number of shares | % | Number of shares | % |
| IP Holding Asia Singapore Pte. Limited | 29,827,529 | 75.00 | 29,827,529 | 75.00 |

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|--|-------------------------|-------------------------|
| 4. Reserves and surplus | | |
| Capital redemption reserve | 598.00 | 598.00 |
| Securities premium account | 18,211.13 | 18,211.13 |
| General reserve | | |
| Opening balance | 28,876.29 | 29,016.06 |
| Less: Depreciation on transition to Schedule II of the Companies Act, 2013 (Refer Note 38) | — | (139.77) |
| Closing balance | 28,876.29 | 28,876.29 |
| Surplus/(deficit) in Statement of Profit and Loss | | |
| Opening balance | (10,257.34) | (10,282.12) |
| Add: Profit for the year | 3,689.31 | 24.78 |
| Closing balance | (6,568.03) | (10,257.34) |
| TOTAL | 41,117.39 | 37,428.08 |

5A. Long-term borrowings*

| | | |
|---|------------------|------------------|
| Unsecured | | |
| Term loans from banks (Refer Note 1 below) | 22,000.00 | 16,124.00 |
| Deferred payment liabilities (Refer Note 2 below) | 2,350.63 | 2,602.90 |
| Loan from a related party (Refer Note 3 below) | 6,050.40 | 5,000.40 |
| TOTAL | 30,401.03 | 23,727.30 |

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

5B. Short-term borrowings

| | | |
|--------------------------------------|------------------|-----------------|
| Loans repayable on demand from banks | | |
| Secured (Refer Note 4 below) | 3,000.00 | 1,919.98 |
| Unsecured (Refer Note 5 below) | 347.79 | 3,612.49 |
| Short-term loans (Unsecured) | | |
| From banks | 2,000.00 | 3,600.00 |
| From others | 9,000.00 | — |
| TOTAL | 14,347.79 | 9,132.47 |

Notes

- The Company has availed unsecured term loans from banks aggregating ₹22,000.00 lakhs (March 31, 2015 - ₹30,657 lakhs) outstanding at the year end ₹22,000 lakhs (March 31, 2015 ₹16,124 lakhs). Letter of comfort has been provided to the banks by International Paper Company, USA, the ultimate holding company. The interest rates are ranging from 9% - 11%. These term loans are repayable as under:
 - Term Loan I: ₹15,000 lakhs (March 31, 2015 - ₹Nil) is payable in 6 equal quarterly instalments commencing at the end of 21st month.
 - Term Loan II: ₹7,000 lakhs (March 31, 2015 - ₹Nil) is payable after completing moratorium of 18 months and is repayable in 10 equal quarterly instalment's commencing at the end of 21st month.
 - Term Loan III: ₹Nil (March 31, 2015 - ₹6,825 lakhs) has a tenor of 18 months, which is renewable automatically for a successive period of 18 months.
 - Term Loan IV: ₹Nil (March 31, 2015 - ₹10,000 lakhs) is payable in 3 unequal quarterly instalments at the end of 24th month from the date of the loan.

- e. Term Loan V: ₹Nil (March 31, 2015 - ₹4,832 lakhs) is payable in 8 quarterly instalments after completion of 12 months from the date of the loan.
 - f. Term Loan VI: ₹Nil (March 31, 2015 - ₹9,000 lakhs) has a tenor of 18 months, which is renewable automatically for a successive period of 18 months, subject to consent of both the parties.
2. Deferred payment liabilities represent sales tax deferral loan availed by the Company, from the Government of Andhra Pradesh and is repayable after a period of 14 years from the end of the financial year of its availment. These are interest free loans. An amount of ₹252.28 lakhs (March 31, 2015 – ₹340.02 lakhs) 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.
 3.
 - a. Unsecured loan availed from International Paper (India) Private Limited at interest rate of 7.9% aggregating ₹3,600 lakhs during the year and outstanding as at the year end ₹3,400 lakhs is repayable by December 31, 2017.
 - b. The Company has availed unsecured foreign currency loan from International Paper Investments (Luxembourg) S.à r.l. at interest rate of 6 month Libor plus 250 basis points repayable in six half-yearly instalments commencing from June 30, 2015. Out of USD 8 Million (equivalent ₹5,300.80 lakhs) [March 31, 2015 - USD 12 Million (equivalent ₹7,500.60 lakhs)] outstanding, ₹2,650.40 lakhs is repayable within next one year and is included under the head 'Current maturities of long-term debts' disclosed under Note 7B - Other current liabilities.
 4. Secured loans from banks repayable on demand represent working capital demand loans/cash credit facilities/buyers credit/ Export packing credit loan from certain banks, at interest rates ranging from 5.90% to 10.40% during the year. These are secured by hypothecation of current assets of the Company.
 5. Unsecured loans from bank repayable on demand represent working capital demand loans/cash credit facilities/buyers credit from certain banks, at interest rates ranging from 7.98% to 9.50% during the year.

| (in ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|--|-------------------------|-------------------------|
| 6. Deferred tax liabilities (Net) | | |
| Tax effect of items constituting deferred tax liabilities: | | |
| On difference between book balance and tax balance of fixed assets | 16,027.63 | 14,965.30 |
| Others | 76.92 | 109.25 |
| | 16,104.55 | 15,074.55 |
| Tax effect of items constituting deferred tax assets: | | |
| Disallowances under Section 43B of the Income Tax Act, 1961 | 690.63 | 399.66 |
| Unabsorbed depreciation carried forward | 2,626.69 | 4,047.89 |
| Others | 698.53 | 485.46 |
| | 4,015.85 | 4,933.01 |
| TOTAL | 12,088.70 | 10,141.54 |

7A. Other long-term liabilities

| | | |
|--------------|----------|-------------|
| Others* | – | 0.49 |
| TOTAL | – | 0.49 |

*Includes retention monies payable towards fixed assets purchase

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|--|-------------------------|-------------------------|
| 7B. Other current liabilities | | |
| Current maturities of long-term debt | | - |
| Unsecured | 2,902.68 | 17,373.22 |
| Interest accrued but not due on borrowings | 47.00 | 133.71 |
| Interest accrued and due on others | 4.29 | 14.37 |
| Unclaimed dividends | 4.12 | 5.66 |
| Unclaimed application money received for allotment of securities and due for refund | 0.75 | 0.75 |
| Unpaid matured deposits and interest accrued thereon | 0.89 | 0.89 |
| Trade/security deposits received | 2,062.33 | 2,081.36 |
| Other payables | | |
| Statutory remittances (Contributions to PF and ESIC, withholding taxes, excise duty, VAT, service tax, etc.) | 854.04 | 801.98 |
| Payables on purchase of fixed assets | 970.54 | 1,065.12 |
| Contractually reimbursable expenses | 100.13 | 223.50 |
| Advances from customers | 172.63 | 160.22 |
| Others* | 836.74 | 1,072.70 |
| TOTAL | 7,956.14 | 22,933.48 |

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

8A. Long-term provisions

| | | |
|---------------------------------|---------------|---|
| Provision for employee benefits | | |
| Compensated absences | 144.70 | - |
| Gratuity (Refer Note 25) | 150.68 | - |
| TOTAL | 295.38 | - |

8B. Short-term provisions

| | | |
|---|-----------------|----------|
| Provision - Others | | |
| Provision for other contingencies (Refer Note 37) | 1,090.66 | 1,631.48 |
| TOTAL | 1,090.66 | 1,631.48 |

9. Trade payables

| | | |
|--|------------------|-----------|
| Acceptances | 5,920.71 | 5,377.91 |
| Other than acceptances | 9,584.79 | 10,244.94 |
| TOTAL | 15,505.50 | 15,622.85 |
| Of the above | | |
| i. Total outstanding dues of micro enterprises and small enterprises (Refer Note 36) | 74.53 | 113.06 |
| ii. Total outstanding dues of creditors other than micro enterprises and small enterprises | 15,430.97 | 15,509.79 |
| TOTAL | 15,505.50 | 15,622.85 |

10. Fixed assets

(In ₹ Lakhs)

| Description | Gross Block | | | | Depreciation/Amortization | | | | Net Block | | |
|------------------------|---------------------|-----------------|-----------------|----------------------|---------------------------|-----------------|---|-----------------|----------------------|----------------------|----------------------|
| | As at April 1, 2015 | Additions | Disposals | As at March 31, 2016 | As at April 1, 2015 | For the year | Adjustments/ [Refer Note 38(a) and 38(c)] | Deductions | As at March 31, 2016 | As at March 31, 2016 | As at March 31, 2015 |
| A. Tangible | | | | | | | | | | | |
| Land-Freehold | 297.30 | – | – | 297.30 | – | – | – | – | – | 297.30 | 297.30 |
| | <i>298.33</i> | – | <i>1.03</i> | <i>297.30</i> | – | – | – | – | – | <i>297.30</i> | – |
| Buildings | 12,290.08 | 529.45 | 73.77 | 12,745.76 | 5,315.72 | 443.73 | (1,955.49) | 65.66 | 3,738.30 | 9,007.46 | 6,974.36 |
| | <i>11,799.38</i> | <i>490.70</i> | – | <i>12,290.08</i> | <i>4,465.22</i> | <i>786.15</i> | <i>64.35</i> | – | <i>5,315.72</i> | <i>6,974.36</i> | – |
| Plant and equipment | 133,064.04 | 2,627.67 | 958.87 | 134,732.84 | 58,374.27 | 6,451.50 | (405.83) | 872.41 | 63,547.53 | 71,185.31 | 74,689.77 |
| | <i>131,136.27</i> | <i>2,206.21</i> | <i>278.44</i> | <i>133,064.04</i> | <i>53,043.54</i> | <i>5,443.90</i> | <i>135.33</i> | <i>248.50</i> | <i>58,374.27</i> | <i>74,689.77</i> | – |
| Furniture and fixtures | 557.90 | 20.08 | 18.49 | 559.49 | 321.10 | 66.53 | – | 15.62 | 372.01 | 187.48 | 236.80 |
| | <i>546.96</i> | <i>10.96</i> | <i>0.02</i> | <i>557.90</i> | <i>229.47</i> | <i>91.29</i> | <i>0.36</i> | <i>0.02</i> | <i>321.10</i> | <i>236.80</i> | – |
| Vehicles | 526.73 | 34.58 | 109.15 | 452.16 | 347.35 | 50.95 | – | 67.70 | 330.60 | 121.56 | 179.38 |
| | <i>660.90</i> | – | <i>134.17</i> | <i>526.73</i> | <i>312.65</i> | <i>99.79</i> | – | <i>65.09</i> | <i>347.35</i> | <i>179.38</i> | – |
| Office equipment | 1,158.93 | 131.65 | 179.18 | 1,111.40 | 908.89 | 130.10 | – | 170.13 | 868.86 | 242.54 | 250.04 |
| | <i>1,064.05</i> | <i>95.60</i> | <i>0.72</i> | <i>1,158.93</i> | <i>566.67</i> | <i>331.19</i> | <i>11.65</i> | <i>0.62</i> | <i>908.89</i> | <i>250.04</i> | – |
| Leasehold improvements | 470.35 | – | – | 470.35 | 109.00 | 38.35 | – | – | 147.35 | 323.00 | 361.35 |
| | <i>459.99</i> | <i>10.36</i> | – | <i>470.35</i> | <i>69.32</i> | <i>39.68</i> | – | – | <i>109.00</i> | <i>361.35</i> | – |
| TOTAL | 148,365.33 | 3,343.43 | 1,339.46 | 150,369.30 | 65,376.33 | 7,181.16 | (2,361.32) | 1,191.52 | 69,004.65 | 81,364.65 | 82,989.00 |
| | <i>145,965.88</i> | <i>2,813.83</i> | <i>414.38</i> | <i>148,365.33</i> | <i>58,686.87</i> | <i>6,792.00</i> | <i>211.69</i> | <i>314.23</i> | <i>65,376.33</i> | <i>82,989.00</i> | |
| B. Intangible | | | | | | | | | | | |
| Goodwill | 1,933.97 | – | – | 1,933.97 | 1,933.97 | – | – | – | 1,933.97 | – | – |
| | <i>1,933.97</i> | – | – | <i>1,933.97</i> | <i>1,933.97</i> | – | – | – | <i>1,933.97</i> | – | – |
| Computer software | 780.17 | 497.26 | 6.86 | 1,270.57 | 457.87 | 136.46 | – | 6.59 | 587.74 | 682.83 | 322.30 |
| | <i>735.95</i> | <i>49.35</i> | <i>5.13</i> | <i>780.17</i> | <i>353.18</i> | <i>108.04</i> | <i>0.05</i> | <i>3.40</i> | <i>457.87</i> | <i>322.30</i> | – |
| TOTAL | 2,714.14 | 497.26 | 6.86 | 3,204.54 | 2,391.84 | 136.46 | – | 6.59 | 2,521.71 | 682.83 | 322.30 |
| | <i>2,669.92</i> | <i>49.35</i> | <i>5.13</i> | <i>2,714.14</i> | <i>2,287.15</i> | <i>108.04</i> | <i>0.05</i> | <i>3.40</i> | <i>2,391.84</i> | <i>322.30</i> | |

Previous year figures in italics.

Note: Additions include capitalization of exchange loss mainly on plant and equipment and buildings of ₹403.10 lakhs (Previous year ₹ 359.20 lakhs).

C. Depreciation/amortization for the year

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|-------------------|---------------------------|---------------------------|
| Tangible assets | 7,181.16 | 6,792.00 |
| Intangible assets | 136.46 | 108.04 |
| TOTAL | 7,317.62 | 6,900.04 |

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|--|-------------------------|-------------------------|
| 11. Non-current investments | | |
| (At cost, unless otherwise stated) | | |
| Unquoted | | |
| A. Trade | | |
| Investments in equity instruments of other entities | | |
| Andhra Pradesh Gas Power Corporation Limited | | |
| 1,340,000 (March 31, 2015: 1,340,000) equity shares of | | |
| ₹10 each, fully paid up | 1,538.37 | 1,538.37 |
| Total trade - A | 1,538.37 | 1,538.37 |
| B. Other investments | | |
| Investments in subsidiary | | |
| IP India Foundation | | |
| 50,000 (March 31, 2015: 50,000) equity shares of | | |
| ₹10 each, fully paid up | 5.00 | 5.00 |
| TOTAL (i) | 5.00 | 5.00 |
| Investments in equity instruments of other entities | | |
| Somar Granites Private Limited | | |
| 30,000 (March 31, 2015: 30,000) equity shares of | | |
| ₹10 each, fully paid up | 3.00 | 3.00 |
| Less: Provision for diminution in value of investments | 3.00 | 3.00 |
| Kedia Distillery Limited | | |
| 212,800 (March 31, 2015: 212,800) equity shares of | | |
| ₹10 each, fully paid up | 61.71 | 61.71 |
| Less: Provision for diminution in value of investments | 61.71 | 61.71 |
| TOTAL (ii) | — | — |
| Total Other Investments - B (i + ii) | 5.00 | 5.00 |
| Total (A + B) | 1,543.37 | 1,543.37 |
| Aggregate cost of unquoted investments | 1,608.08 | 1,608.08 |
| Aggregate amount of provision made for other than temporary diminution | 64.71 | 64.71 |

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|---|-------------------------|-------------------------|
| 12A. Long-term loans and advances | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Capital advances | 122.03 | 185.40 |
| Security deposits | 980.09 | 859.09 |
| Loans and advances to employees | 28.43 | 50.24 |
| Prepaid expenses | 40.03 | 48.55 |
| Advance income tax | | |
| [Net of provision of ₹2733.06 (March 31, 2015 - ₹1,506.00)] | 1,092.42 | 1,437.47 |
| MAT credit entitlement | 4,169.91 | 2,942.85 |
| Advances with statutory authorities | 864.85 | 1,071.57 |
| TOTAL | 7,297.76 | 6,595.17 |
| 12B. Short-term loans and advances | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Security deposits | | |
| Considered good | 1.00 | 1.00 |
| Considered doubtful | 5.00 | 8.38 |
| | 6.00 | 9.38 |
| Less: Provision for doubtful deposits | 5.00 | 8.38 |
| | 1.00 | 1.00 |
| Loans and advances to employees | 166.32 | 339.10 |
| Prepaid expenses | 340.99 | 146.62 |
| Balances with government authorities: | | |
| CENVAT credit receivable | 1,189.76 | 1,772.55 |
| Service tax credit receivable | 17.74 | 34.82 |
| Customs receivable | 70.17 | 0.17 |
| VAT credit receivable | 263.15 | 84.17 |
| Advance to suppliers/contractors | | |
| Considered good | 2,486.82 | 1,888.32 |
| Considered doubtful | 25.21 | 31.31 |
| | 2,512.03 | 1,919.63 |
| Less: Provision for other doubtful loans and advances | 25.21 | 31.31 |
| | 2,486.82 | 1,888.32 |
| Other loans and advances | 52.35 | 134.51 |
| TOTAL | 4,588.30 | 4,401.26 |

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|--|-------------------------|-------------------------|
| 13A. Other non-current assets | | |
| Margin money deposits with banks* | 35.85 | 12.62 |
| Interest accrued on margin money deposits with banks | 4.93 | 1.82 |
| TOTAL | 40.78 | 14.44 |
| * Represents margin money deposits with maturity of more than twelve months from the balance sheet date. | | |
| 13B. Other current assets | | |
| Accruals | | |
| Interest accrued on deposits | 28.63 | 22.33 |
| | 28.63 | 22.33 |
| Others | | |
| Other receivables | – | 119.64 |
| Fixed assets held for sale | 65.67 | 72.94 |
| | 65.67 | 192.58 |
| TOTAL | 94.30 | 214.91 |
| 14. Inventories | | |
| (At lower of cost and net realizable value) | | |
| Raw materials (including packing materials) | 6,829.48 | 4,638.44 |
| Goods-in-transit | 138.20 | 6.32 |
| Work in progress | 1,387.82 | 2,059.06 |
| Finished goods (other than those acquired for trading) | 5,140.35 | 5,096.43 |
| Stock-in-trade | – | 0.45 |
| Stores and spares | 7,743.74 | 8,263.55 |
| Goods-in-transit | 131.28 | 56.90 |
| TOTAL | 21,370.87 | 20,121.15 |
| 15. Trade receivables | | |
| (Considered good, unless otherwise stated) | | |
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | |
| Secured, considered good | 25.56 | 76.90 |
| Unsecured, considered good | 0.43 | 27.50 |
| Doubtful | 92.95 | 87.66 |
| | 118.94 | 192.06 |
| Less: Provision for doubtful receivables | 92.95 | 87.66 |
| | 25.99 | 104.40 |
| Other trade receivables | | |
| Secured, considered good | 1,647.07 | 1,425.06 |
| Unsecured, considered good | 5,395.78 | 4,856.53 |
| Doubtful | 22.45 | 2.49 |
| | 7,065.30 | 6,284.08 |
| Less: Provision for doubtful receivables | 22.45 | 2.49 |
| | 7,042.85 | 6,281.59 |
| TOTAL | 7,068.84 | 6,385.99 |

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|--------------|-------------------------|-------------------------|
|--------------|-------------------------|-------------------------|

16. Cash and cash equivalents

| | | |
|--|-----------------|---------------|
| A. Cash and cash equivalents (as per AS 3 Cash Flow Statement) | | |
| Cash in hand | 0.47 | 0.49 |
| Cheques, drafts on hand | 9.02 | – |
| Balances with banks | | |
| in current accounts | 952.72 | 186.56 |
| in EEFC accounts | 0.10 | – |
| Others - Remittance in transit | – | 182.12 |
| Sub-total cash & cash equivalents (as per AS 3 Cash Flow Statement) | 962.31 | 369.17 |
| B. Other bank balances | | |
| In earmarked accounts | | |
| Balances held as margin money or security against guarantees and other commitments (Refer Note below) | 47.14 | 47.31 |
| Unpaid dividend accounts | 4.12 | 5.66 |
| Share application money received for allotment of securities and due for refund | 0.75 | 0.75 |
| Sub-total other bank balances | 52.01 | 53.72 |
| TOTAL | 1,014.32 | 422.89 |

Note: Margin money deposits amounting to ₹35.85 lakhs (As at March 31, 2015 ₹12.62 lakhs) which have a maturity of more than 12 months from the Balance Sheet date have been classified under other non-current assets [Refer Note 13(A)].

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|--------------|------------------------------|------------------------------|
|--------------|------------------------------|------------------------------|

17. Revenue from operations

| | | |
|--|-------------------|-------------------|
| Revenue from sale of products [Refer Note (i) below] | 118,720.75 | 119,865.38 |
| Other operating revenue [Refer Note (ii) below] | 2,904.32 | 3,209.32 |
| Revenue from operations (Gross) | 121,625.07 | 123,074.70 |
| Less: Excise duty | 5,644.12 | 6,750.49 |
| TOTAL | 115,980.95 | 116,324.21 |

Notes:

| | | |
|--|-----------------|-----------------|
| i. Sale of products comprise of sale of paper and paperboard | | |
| ii. Other operating revenues comprise: | | |
| Sale of saplings | 396.81 | 292.15 |
| Duty draw back on exports | 504.26 | 290.14 |
| Incidental charges recovered from customers | 1,604.66 | 1,941.96 |
| Sale of scrap | 398.59 | 685.07 |
| TOTAL | 2,904.32 | 3,209.32 |

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|--|------------------------------|------------------------------|
| 18. Other income | | |
| Interest income | 34.75 | 35.33 |
| Profit on sale of fixed assets (Net) | – | 370.75 |
| Insurance and other claims | 125.36 | 104.87 |
| Exchange differences (Net) | – | 43.56 |
| Liabilities/Provision no longer required written back | 427.52 | 340.20 |
| Miscellaneous income | 57.99 | 175.48 |
| TOTAL | 645.62 | 1,070.19 |
| 19. Cost of materials consumed | | |
| Opening stock | 4,644.76 | 6,661.86 |
| Add: Purchases | 53,117.22 | 50,335.01 |
| | 57,761.98 | 56,996.87 |
| Less: Closing stock | 6,967.68 | 4,644.76 |
| TOTAL | 50,794.30 | 52,352.11 |
| 20. Changes in inventories of finished goods, work-in-progress and stock-in-trade | | |
| Opening stocks: | | |
| Work-in-progress | 2,059.06 | 1,957.96 |
| Finished goods* | 5,096.43 | 4,722.47 |
| Stock- in-trade* | 0.45 | 0.45 |
| | 7,155.94 | 6,680.88 |
| Closing stocks: | | |
| Work-in-progress | 1,387.82 | 2,059.06 |
| Finished goods* | 5,140.35 | 5,096.43 |
| Stock- in-trade* | – | 0.45 |
| | 6,528.17 | 7,155.94 |
| Net (increase)/decrease | 627.77 | (475.06) |
| Excise duties on increase/(decrease) of finished goods | 228.06 | 154.53 |
| TOTAL | 855.83 | (320.53) |
| *Comprising paper and paperboard | | |
| 21. Employee benefits expense | | |
| Salaries, wages & bonus | 10,772.75 | 10,555.07 |
| Contribution to provident and other funds | 956.29 | 422.53 |
| Workmen & staff welfare expenses | 1,195.49 | 1,176.82 |
| TOTAL | 12,924.53 | 12,154.42 |
| 22. Finance costs | | |
| Interest expense on | | |
| Borrowings | 3,729.08 | 4,151.47 |
| Others | 205.14 | 206.11 |
| Bank and finance charges | 95.36 | 102.02 |
| TOTAL | 4,029.58 | 4,459.50 |

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|------------------------------|------------------------------|
| 23. Other expenses | | |
| Consumption of stores, spares and chemicals | 15,634.27 | 17,739.85 |
| Power and fuel | 7,944.12 | 8,616.94 |
| Repairs and maintenance | | |
| - Buildings | 355.88 | 375.66 |
| - Plant and machinery | 2,677.67 | 2,900.25 |
| - Others | 303.94 | 259.39 |
| Conversion/processing charges | 380.21 | 397.19 |
| Commission and discount on sales | 3,622.79 | 3,679.44 |
| Forwarding, transportation and other sales expenses | 3,299.97 | 3,434.57 |
| Rates and taxes | 502.55 | 519.90 |
| Royalty | 272.99 | 124.57 |
| Rent | 406.92 | 400.95 |
| Insurance | 326.00 | 391.62 |
| Legal and professional charges | 778.43 | 1,992.32 |
| Provision for doubtful trade receivables and advances | 53.12 | 21.26 |
| Bad trade receivables and advances written-off | 61.17 | 26.57 |
| Less: Provision released | 37.35 | — |
| | 23.82 | 26.57 |
| Payment to auditors (Refer Note 35) | 66.41 | 51.66 |
| Exchange differences (Net) | 8.00 | — |
| Loss on discarded fixed assets | 54.33 | — |
| Miscellaneous expenses | 1,627.47 | 1,660.33 |
| TOTAL | 38,338.89 | 42,592.47 |

24. Contingent liabilities and commitments

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|--|-------------------------|-------------------------|
| A. Contingent liabilities (to the extent not provided for) | | |
| Claims against the Company not acknowledged as debt: | | |
| Matters under litigation | | |
| a. Income tax matters | 640.67 | 133.14 |
| b. Excise duty claims disputed by the Company relating to issues of applicability, classification and valuation | 5,780.49 | 7,709.55 |
| c. Sales tax claims disputed by the Company relating to issues of applicability, royalty and discounts | 485.57 | 357.52 |
| d. Electricity duty towards consumption of energy generated by captive power unit | 4,983.22 | 4,983.22 |
| e. Demand raised by Eastern Power Distribution Corporation of Andhra Pradesh Limited for surplus power supplied by APGPCL disputed by the Company. 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 |
| f. Other matters (third party claims, interest on royalty, ex-employees claims etc.,) | 1,404.06 | 828.37 |
| The amounts disclosed above represent best estimate and the uncertainties are dependent on the outcome of the legal processes initiated by the Company or the claimant as the case may be. | | |
| B. Commitments | | |
| i. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | 700.20 | 739.03 |
| ii. Export Commitment under Export Promotion Capital Goods (EPCG) Scheme | 9,713.04 | 26,567.16 |

25. Employee benefits

A. Defined benefit plans

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

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

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|------------------------------------|------------------------------|------------------------------|
| Opening defined benefit obligation | 2,249.01 | 2,477.05 |
| Current service cost | 131.42 | 151.09 |
| Interest cost | 155.70 | 209.79 |
| Benefits paid | (505.93) | (393.45) |
| Actuarial losses/(gain) | 211.80 | (195.47) |
| Obligations at the end of the year | 2,242.00 | 2,249.01 |

ii. Change in plan assets

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|-----------------------------------|-------------------------|-------------------------|
| Opening fair value of plan assets | 2,470.77 | 2,482.54 |
| Expected return on plan assets | 166.33 | 174.74 |
| Actuarial gain/(losses) | (39.85) | 118.75 |
| Contribution by employer | — | 88.19 |
| Benefits paid | (505.93) | (393.45) |
| Closing fair value of plan assets | 2,091.32 | 2,470.77 |

iii. Amount recognized in Balance Sheet

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|-------------------------------------|-------------------------|-------------------------|
| Present value of funded obligations | 2,242.00 | 2,249.01 |
| Fair value of plan assets | 2,091.32 | 2,470.77 |
| Net asset/(liability) | (150.68) | 221.76 |

iv. Expenses recognized in the Statement of Profit and Loss

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|--|------------------------------|------------------------------|
| Current service cost | 131.42 | 151.09 |
| Interest on defined benefit obligation | 155.70 | 209.79 |
| Expected return on plan assets | (166.33) | (174.74) |
| Net actuarial losses/(gains) recognized | 251.65 | (314.22) |
| Amount included in 'Employee benefits expense' | 372.44 | (128.08) |

v. Composition of plan assets

| | | As at March 31, 2016 | As at March 31, 2015 |
|-------------------------|---|-------------------------|-------------------------|
| Insurance managed funds | % | 100 | 100 |
| TOTAL | % | 100 | 100 |

vi. Summary of actuarial assumptions

| | | As at March 31, 2016 | As at March 31, 2015 |
|---|---|--|--|
| Discount rate | % | 8.00 | 7.80 |
| Estimated rate of return on plan assets | % | 7.50 | 7.50 |
| Salary escalation rate | | Senior staff - 6% Junior staff & workers 1% for first 3 years 5% thereafter | Senior staff - 7% Junior staff & workers 1% for first 3 years 5% thereafter |
| Mortality rate | | Indian Assured Lives Mortality (IALM) (2006-08) Ult. Modified | Indian Assured Lives Mortality (IALM) (2006-08) Ult. Modified |
| Attrition rate | | Age Rate p.a. % | Age Rate p.a. % |
| | | 21-30 5 | 21-30 5 |
| | | 31-40 3 | 31-40 3 |
| | | 41 & above 2 | 41 & above 2 |

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

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

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

vii. Experience adjustments

| (In ₹ Lakhs) | March 31, 2016 | March 31, 2015 | March 31, 2014 | March 31, 2013 | December, 2011 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Defined benefit obligation | 2,242.00 | 2,249.01 | 2,477.05 | 2,504.78 | 2,055.02 |
| Plan assets | 2,091.32 | 2,470.77 | 2,482.54 | 2,521.03 | 1,937.44 |
| Surplus/(deficit) | (150.68) | 221.76 | 5.49 | 16.25 | (117.58) |
| Experience gain/(loss) adjustment on plan liabilities | (322.51) | (83.06) | (275.57) | 133.36 | 316.03 |
| Experience gain/(loss) adjustment on plan assets | (39.85) | 118.75 | 44.73 | 81.14 | (185.31) |
| Actuarial gain/(loss) due to change in assumptions | 110.71 | 278.53 | 238.21 | — | — |

b. Compensated absences

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

B. Defined contribution plan

a. Superannuation

The Company recognized ₹29.67 lakhs (Previous year - ₹31.72 lakhs) as an expense towards contribution of superannuation in the Statement of Profit and Loss during the year.

b. Provident Fund

The Company contributed ₹416.06 lakhs (Previous year - ₹383.69 lakhs) to the Provident Fund Trust maintained by the Company and ₹110.91 lakhs (Previous year - ₹106.96 lakhs) to Regional Provident Fund Commissioner, which was recognized as an expense during the year.

26. Segment information

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

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

| (In ₹ Lakhs) | Domestic | | Overseas | | Total | |
|-----------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Year ended March 31, 2016 | Year ended March 31, 2015 | Year ended March 31, 2016 | Year ended March 31, 2015 | Year ended March 31, 2016 | Year ended March 31, 2015 |
| Segment revenue | 96,952.12 | 104,758.39 | 21,768.73 | 15,106.99 | 118,720.75 | 119,865.38 |
| Segment assets | 125,193.60 | 123,253.82 | 1,585.99 | 1,340.87 | 126,779.59 | 124,594.69 |

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

27. Related party transactions

a. List of related parties and relationships:

i. Ultimate holding company

International Paper Company, USA

ii. Holding company

IP Holding Asia Singapore Pte. Limited

iii. Subsidiary company

IP India Foundation

iv. Fellow subsidiaries

International Paper (India) Private Limited

International Paper Inc. USA

International Paper Procurement (Shanghai) Limited

International Paper Investment (Shanghai) Limited

IP Singapore Holding Pte. Limited

International Paper Nordic Sales Company

International Paper Investments (Luxembourg) S.à r.l.

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

The Employees Provident Fund of The Andhra Pradesh Paper Mills Limited

vi. Key Management Personnel

| Name of the person | Relationship | Status |
|----------------------------|------------------------------|--|
| Mr. W. Micheal Amick Jr. | Executive Chairman | From August 23, 2012 to October 31, 2014 |
| Mr. Rampraveen Swaminathan | Managing Director & CEO | Up to October 31, 2014 |
| | Chairman & Managing Director | From November 1, 2014 |

b. Summary of significant related party transactions

| (In ₹ Lakhs) | Name of the related party | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|--|------------------------------|------------------------------|
| Purchase of goods | International Paper Company, USA | — | 47.66 |
| | International Paper Nordic Sales | — | 460.36 |
| Professional charges— Management contracts | International Paper (India) Private Limited | 375.36 | 1,741.61 |
| Royalty expenses | International Paper Company, USA | 272.99 | 124.57 |
| Rent received | International Paper (India) Private Limited | 32.93 | 38.00 |
| Managerial remuneration | Key Management Personnel [Refer Note (i) below] | 59.62 | 230.71 |
| Foreign currency loan received | IP Holding Asia Singapore Pte. Limited | — | 299.75 |
| | International Paper Investments (Luxembourg) S.à r.l. | — | 616.20 |
| Loan received | International Paper (India) Private Limited | 3,600.00 | — |
| Loan repaid | International Paper (India) Private Limited | 200.00 | — |
| Foreign currency loan paid | International Paper Investments (Luxembourg) S.à r.l. | 2,602.90 | 1,264.55 |
| Interest paid on foreign currency loan | International Paper Investments (Luxembourg) S.à r.l. | 204.08 | 234.45 |
| Interest expense on loan | International Paper (India) Private Limited | 53.33 | — |
| Contribution towards provident fund | The Employees Provident Fund of APPM Limited | 416.06 | 383.69 |
| Contribution towards CSR expenses | IP India Foundation | — | 16.00 |

c. Amounts due from/due to related parties

| (In ₹ Lakhs) | Name of the related party | As at March 31, 2016 | As at March 31, 2015 |
|--|--|-------------------------|-------------------------|
| Due to related parties | | | |
| Interest payable on foreign currency loan | International Paper Investments (Luxembourg) S.à r.l. | 39.34 | 53.00 |
| Foreign currency loan payable | International Paper Investments (Luxembourg) S.à r.l. | 5,300.80 | 7,500.60 |
| Loan payable | International Paper (India) Private Limited | 3,400.00 | — |
| Trade payables | International Paper (India) Private Limited | — | 1,011.38 |
| | International Paper Company, USA | 63.17 | 105.88 |

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

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

28. Leases

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

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

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|--|-------------------------|-------------------------|
| Not later than 1 year | 37.60 | 34.47 |
| Later than 1 year and not later than 5 years | 197.39 | 194.26 |
| More than 5 years | 372.85 | 413.58 |

29. Earnings per share

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|------------------------------|------------------------------|
| Profit/(loss) for the year (In ₹ Lakhs) | 3,689.31 | 24.78 |
| Weighted average number of equity shares outstanding during the year (Nos.) - Basic and Diluted | 39,770,039 | 39,770,039 |
| Earnings per share (Face value ₹10 per share) Basic and Diluted (₹) | 9.28 | 0.06 |

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

a. Raw materials consumed (including packing materials)

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---------------------------------------|------------------------------|------------------------------|
| Hardwood | 38,253.55 | 39,960.84 |
| Waste paper cuttings, wood pulp, etc. | 5,083.69 | 5,925.65 |
| Others (including packing materials) | 7,457.06 | 6,465.62 |
| TOTAL | 50,794.30 | 52,352.11 |

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

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|----------------------|------------------------------|------------------------------|
| Opening stock | | |
| Pulp | 400.48 | 436.22 |
| Unfinished paper | 1,420.65 | 1,221.49 |
| Others | 237.93 | 300.25 |
| | 2,059.06 | 1,957.96 |
| Closing stock | | |
| Pulp | 321.02 | 400.48 |
| Unfinished paper | 690.57 | 1,420.65 |
| Others | 376.23 | 237.93 |
| TOTAL | 1,387.82 | 2,059.06 |

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

| (In ₹ Lakhs) | Year ended March 31, 2016 | | Year ended March 31, 2015 | |
|--|------------------------------|---------------------------|------------------------------|---------------------------|
| | ₹ | % of total consumption | ₹ | % of total consumption |
| Raw materials (including packing materials) | | | | |
| Imported | 3,320.22 | 6.54 | 4,102.62 | 7.84 |
| Indigenous | 47,474.08 | 93.46 | 48,249.49 | 92.16 |
| TOTAL | 50,794.30 | 100.00 | 52,352.11 | 100.00 |
| Stores, chemicals & spares | | | | |
| Imported | 2,405.24 | 15.38 | 2,913.40 | 16.42 |
| Indigenous | 13,229.03 | 84.62 | 14,826.45 | 83.58 |
| TOTAL | 15,634.27 | 100.00 | 17,739.85 | 100.00 |

32. CIF value of imports

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|------------------------------|------------------------------|
| Raw materials (including packing materials) | 2,863.59 | 4,069.36 |
| Stores and spares | 1,743.27 | 3,136.72 |
| Capital goods | 259.60 | 342.36 |
| TOTAL | 4,866.46 | 7,548.44 |

33. Earnings in foreign currency

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|----------------------|------------------------------|------------------------------|
| Exports on FOB basis | 21,171.50 | 14,352.95 |
| TOTAL | 21,171.50 | 14,352.95 |

34. Expenditure in foreign currency

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|--------------------------|------------------------------|------------------------------|
| Repairs and maintenance | 54.56 | 72.19 |
| Interest | 210.05 | 299.06 |
| Travelling | 39.19 | 41.14 |
| Agency commission | 2.27 | 10.94 |
| Membership subscriptions | 0.62 | 0.49 |
| TOTAL | 306.69 | 423.82 |

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

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|-------------------------|------------------------------|------------------------------|
| Statutory audit fees | 48.80 | 28.00 |
| Fee for Limited Reviews | 9.00 | 9.00 |
| Tax audit | 8.00 | 8.00 |
| Certification services | — | 5.00 |
| Out of pocket expenses | 0.61 | 1.66 |
| TOTAL | 66.41 | 51.66 |

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

The amount due to Micro and Small Enterprises as defined in the 'The Micro, Small and Medium Enterprises Development Act, 2006' has been determined to the extent such parties have been identified on the basis of information available with the Company. The disclosures relating to Micro and Small Enterprises as at March 31, 2016 is as under:

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|---|-------------------------|-------------------------|
| Principal amount remaining unpaid to supplier at the end of the year | 74.53 | 113.06 |
| Interest due thereon remaining unpaid to supplier at the end of the year | 4.29 | 14.37 |
| 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 | 4.29 | 14.37 |

37. Provision for contingencies

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

| (In ₹ Lakhs) | As at March 31, 2016 | As at March 31, 2015 |
|---|-------------------------|-------------------------|
| Opening balance | 1,631.48 | 1,631.48 |
| Provision made during the year | — | — |
| Amounts utilized/reversed during the year | (540.82) | — |
| Closing balance | 1,090.66 | 1,631.48 |

38. a. Change in accounting policy

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

Had the Company continued to use the earlier method of depreciation, the profit after tax for the current year would have been lower by ₹1,705 lakhs.

b. Component accounting of fixed assets

In accordance with the requirements of component accounting of fixed assets as per Schedule II to the Companies Act, 2013, the Company has identified and accounted for the components of fixed assets during the current year. Consequently, the depreciation on such components amounting to ₹1,250.97 lakhs has been charged in the Statement of Profit and Loss.

- c. In the previous year, the Company had with effect from April 1, 2014, revised the estimated useful life of certain assets to align them with those specified in Schedule II and in accordance with the transitional provisions of Schedule II adjusted an amount of ₹139.77 lakhs (net of deferred tax of ₹71.97 lakhs) in respect of those assets where the remaining life on April 1, 2014 was Nil.

39. Derivative instruments

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

As at March 31, 2016

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

As at March 31, 2015

| Currency | Buy/Sell | No. of contracts | Foreign currency (in Million USD) | In ₹ Lakhs |
|----------|----------|------------------|--------------------------------------|------------|
| USD | Buy | 4 | 0.89 | 579.19 |

- 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, 2016 (All figures in Lakhs) | | | | As at March 31, 2015 (All figures in Lakhs) | | | |
|----------------------------------|--|-------|------|----------|--|--------|------|----------|
| | GBP | USD | Euro | ₹ | GBP | USD | Euro | ₹ |
| Trade receivables | – | 23.94 | – | 1,585.88 | – | 21.46 | – | 1,340.87 |
| Trade payables | 0.02 | 10.43 | 3.37 | 946.78 | 0.02 | 3.65 | 4.78 | 551.19 |
| Advances received from customers | – | 0.01 | – | 0.99 | – | 0.05 | – | 3.04 |
| Bank balance | – | 0.001 | – | 0.10 | – | 0.03 | – | – |
| Term loans | – | 80.00 | – | 5,300.80 | – | 120.00 | – | 7,500.60 |
| Interest payable | – | 0.62 | – | 41.02 | – | 0.86 | – | 53.78 |

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

| (In ₹ Lakhs) | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|------------------------------|------------------------------|
| Employee benefits expense | 287.76 | 72.00 |
| Finance cost (net) | 1.44 | 4.81 |
| Other expenses (including exchange differences) | 468.85 | 439.80 |

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

42. Exceptional items

- Change in accounting policy in respect of method of providing depreciation for certain assets resulting in reversal of depreciation amounting to ₹2,361.32 lakhs [Refer Note 38(a)].
- The Company has revised its estimate based on internal assessment and fresh legal opinion obtained, in respect of provision created in earlier years for a disputed matter and reversed ₹540.83 lakhs during the current year.
- A provision amounting to ₹202.11 lakhs had been created in earlier years in the books due to an adverse order issued by CESTAT, Bangalore, in connection with the tax position adopted by the Company, treating gunny pulp as unconventional raw material used in the manufacture of Kraft paper at the Company's Kadiyam unit. The Company's position was upheld by the Hon'ble Supreme Court on July 21, 2015. Based on the Hon'ble Supreme Court's Judgement, the aforesaid provision has been reversed during the current year.

- d. The Asst. Commissioner granted interest on delayed refund of excise duty paid on cash discounts vide order Nos. 30 and 31 dated July 31, 2015. The resultant income of ₹166.39 lakhs has been accounted during the current year.
- e. During the previous year, the Company based on internal assessment reversed the provision of ₹112.92 lakhs relating to minimum royalty which was made in earlier years, consequent to the Hon'ble Supreme Court's Order on March 17, 2015 remanding the disputed matter to the Government of Andhra Pradesh by setting aside the Order passed by the Hon'ble High Court of Andhra Pradesh.

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

Loans and advances in the nature of loans given to subsidiaries, associates, firms/companies in which directors are interested Nil (March 31, 2015: Nil).

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

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

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

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

For International Paper APPM Limited



Rampraveen Swaminathan
Chairman & Managing Director



Badrinath Chellappa
Vice President & CFO



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

Hyderabad
April 22, 2016

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

(Formerly known as The Andhra Pradesh Paper Mills Limited)

(CIN: L21010AP1964PLC001008)

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

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

52nd Annual General Meeting - July 27, 2016

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 52nd Annual General Meeting of the Company, to be held on Wednesday, July 27, 2016 at 12:00 noon at Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry- 533 103, East Godavari District, Andhra Pradesh and at any adjournment thereof in respect of such Resolutions as are indicated below:

| Resolution number | Resolution | Vote | | |
|-------------------|---|------|---------|---------|
| | | For | Against | Abstain |
| Ordinary business | | | | |
| 1. | Adoption of audited financial statements of the Company for the financial year ended March 31, 2016 and the Report of Board of Directors and Auditors thereon | | | |
| 2. | Appointment of a Director in place of Mr. Thomas G Kadien (holding DIN 03632772) who retires by rotation and being eligible offers himself for re-appointment | | | |
| 3. | Appointment of Deloitte Haskins & Sells as Auditors of the Company | | | |
| Special business | | | | |
| 4. | Remuneration of Cost Auditors for the financial year ending March 31, 2017 | | | |

Signed day of 2016

.....

Signature of the Member

.....

Signature of the proxy holder(s)

Affix revenue stamp of not less than ₹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.

Tear Here -



CHERUKURI SUBBARAO
GANNEMMA UDYANA
KALYANAVEDIKA

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

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



INTERNATIONAL PAPER APPM LIMITED

(Formerly known as The Andhra Pradesh Paper Mills Limited)

(CIN: L21010AP1964PLC001008)

Website: www.ipappm.com