

July 3, 2019

BSE Limited,  
14<sup>th</sup> Floor, P.J. Towers,  
Dalal Street,  
**MUMBAI :: 400 001**

National Stock Exchange of India Ltd.  
"Exchange Plaza,"  
Plot No.C/1, G Block,  
Bandra-Kurla Complex,  
Bandra (E), **MUMBAI – 400 051**

**(BSE Scrip Code No.502330)**

**(Symbol – IPAPPM; Series – EQ)**

Dear Sirs,

Sub: Submission of Notice of 55<sup>th</sup> Annual General Meeting (AGM) and Annual Report for the financial year 2018-19 under Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose a copy of the Notice of 55<sup>th</sup> Annual General Meeting and Annual Report for the financial year ended March 31, 2019, which is being circulated today to the Members of the Company.

The aforesaid documents are available in the website of the Company viz., [www.ipappm.com](http://www.ipappm.com)

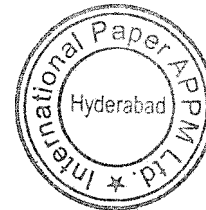
Kindly take the same on your record.

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, 8<sup>th</sup> 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](http://www.ipappm.com)

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

An ISO 9001, ISO 14001 and OHSAS 18001 Certified Company



## INTERNATIONAL PAPER APPM LIMITED

(Formerly known as The Andhra Pradesh Paper Mills Limited)  
(CIN: L21010AP1964PLC001008)

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

### Notice of Annual General Meeting

NOTICE is hereby given that the 55<sup>th</sup> Annual General Meeting of the Members of International Paper APPM Limited will be held on **Thursday, August 1, 2019 at 12.30 P.M. at Cherukuri Veeraju Subbalakshmi Convention Centre, Jawaharlal Nehru Road, Rajahmundry – 533 103, East Godavari District, Andhra Pradesh, India** to transact the following business:

#### ORDINARY BUSINESS

1. To consider and adopt audited financial statements of the Company for the financial year ended March 31, 2019 and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Russell V. Harris (DIN: 07863226) who retires by rotation and being eligible offers himself for re-appointment.
3. **Re-appointment of Auditors and fixing of remuneration**

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

**“RESOLVED THAT** pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), M/s. Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No.008072S), be and are hereby re-appointed as Auditors of the Company for a second term of 3 (three) consecutive years, to hold office from the conclusion of this (the 55<sup>th</sup>) Annual General Meeting till the conclusion of the 58<sup>th</sup> Annual General Meeting.

**FURTHER RESOLVED THAT** approval be and is hereby accorded for payment of remuneration for the financial year 2019-20 not exceeding ₹ 66.00 lakhs plus reimbursement of travelling and out-of-pocket expenses (excluding applicable taxes) to M/s. Deloitte Haskins & Sells and remuneration for the financial years 2020-21 and 2021-22 payable to M/s. Deloitte Haskins & Sells be determined by the Board as per the recommendation of Audit Committee.”

#### SPECIAL BUSINESS

4. **Re-appointment of Mr. M.S. Ramachandran as an Independent Director of the Company**

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

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013 (The Act), The Companies (Appointment and Qualification of Directors) Rules, 2014 read with Schedule IV of the Act and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. M.S. Ramachandran (DIN: 00943629), being eligible and in respect of whom the Company has received a notice under section 160 of the Act from a Member proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, for a second term of three consecutive years from April 1, 2019 to March 31, 2022 and also approval of the Members be and is hereby accorded for continuation of the directorship of Mr. M.S. Ramachandran, on attaining the age of seventy five years during his tenure.”

5. **Re-appointment of Mr. Praveen P. Kadle as an Independent Director of the Company**

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

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013 (The Act), The Companies (Appointment and Qualification of Directors) Rules, 2014 read with Schedule IV of the Act and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Praveen P. Kadle (DIN: 00016814), being eligible and in respect of whom the Company has received a notice under section 160 of the Act from a Member proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company, not

liable to retire by rotation, for a second term of three consecutive years from April 1, 2019 to March 31, 2022.”

**6. Re-appointment of Mr. Adhiraj Sarin as an Independent Director of the Company**

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

“**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013 (The Act), The Companies (Appointment and Qualification of Directors) Rules, 2014 read with Schedule IV of the Act and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Adhiraj Sarin (DIN: 00140989), being eligible and in respect of whom the Company has received a notice under section 160 of the Act from a Member proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, for a second term of three consecutive years from April 1, 2019 to March 31, 2022.”

**7. Re-appointment of Mr. Milind Sarwate as an Independent Director of the Company**

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

“**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013 (The Act), The Companies (Appointment and Qualification of Directors) Rules, 2014 read with Schedule IV of the Act and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Millind Sarwate (DIN: 00109854), being eligible and in respect of whom the Company has received a notice under section 160 of the Act from a Member proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, for a second term of three consecutive years from April 1, 2019 to March 31, 2022.”

**8. Ratification of remuneration of Cost Auditors**

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

“**RESOLVED THAT** pursuant to Section 148 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) the remuneration of ₹ 7.75 lakhs (excluding

applicable taxes) plus reimbursement of travelling and out-of-pocket expenses, as approved by the Board of Directors of the Company, to be paid to M/s. Narasimha Murthy & Co., Cost Accountants, Hyderabad, Cost Auditors (Firm Registration No. 000042) to conduct the audit of the cost records of the Company, for the financial year ending March 31, 2020 be and is hereby ratified and confirmed.

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

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

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

Registered Office:  
Rajahmundry - 533 105  
East Godavari District, Andhra Pradesh, India  
June 30, 2019

**Notes**

1. The Explanatory Statement pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) setting out the details relating to Ordinary Business in respect of Item No. 3 is annexed hereto.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (The Act) setting out details relating to Special Business in respect of Item Nos. 4 to 8 is annexed hereto.
3. **A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself. Such proxy need not be a Member of the Company.**  
**A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than ten per cent of the total share capital of the Company carrying voting rights.**  
The instrument of proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the Meeting. Proxies submitted on behalf of the companies, societies etc. must be supported by an appropriate resolution/ authority, as applicable.
4. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Act, will be available for inspection by the Members at the 55th Annual General Meeting.
5. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Act will be available for inspection by the Members at the 55th Annual General Meeting.

6. Trading in equity shares of the Company through stock exchanges is permitted only in dematerialized form. Members can dematerialize their equity shares in the Company through their Depository Participant(s). The ISIN in respect of equity shares is INE435A01028.
  7. Members holding shares in physical form are requested to notify any change in their address immediately to the Registrar and Transfer Agents, Karvy Fintech Private Limited (formerly Karvy Computershare Private Limited), Karvy Selenium Tower B, Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500 032 (Karvy) and those Members holding shares in electronic form should inform change in their address to their Depository Participant(s).
  8. Members are requested to bring their copies of Annual Report to the Meeting.
  9. As per the provisions of Section 72(3) of the Act, facility for making nomination is available to the investors in respect of the shares held by them in physical form. The investor holding shares in physical form can download the nomination form SH-13 as prescribed in Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014 from the Company's website: [www.ipappm.com](http://www.ipappm.com). In respect of shares held in electronic form, the nomination should be recorded with the respective Depository Participants. The Company would not accept any nomination in respect of the shares held in electronic form.
  10. NECS Mandate form is also placed on the Company's website. Interested Members holding shares in physical form can download this form from the Company's website.
  11. The Act provides for compliances in electronic mode by Companies. Investor should register/update their E-mail IDs with RTA/DP to receive circulars/newsletters/notices/annual reports sent by the Company from time to time. Members who have not registered their E-mail addresses so far, are requested to register their E-mail addresses, in respect of electronic holdings, with their respective Depository Participants and Members who hold shares in physical form are requested to download 'E-Communication Registration Form' from the Company's website and send the duly filled-in and signed form to Karvy.
  12. Members are requested to note that, dividends if not encashed for a consecutive period of 7 years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to the Investor Education and Protection Fund (IEPF). The shares in respect of such unclaimed dividends are also liable to be transferred to the demat account of the IEPF Authority. The Members, whose unclaimed dividends/shares have been transferred to IEPF, may claim the same by making an application to the IEPF Authority in Form No. IEPF-5 available on [www.iepf.gov.in](http://www.iepf.gov.in).
  13. In terms of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2016 (Rules) notified by Ministry of Corporate Affairs, the Company had transferred 81,713 equity shares of ₹ 10/- each relating to 911 shareholders in respect of which dividend for the financial year ended March 31, 2010 has not been claimed for seven consecutive years or more to Investor and Education Protection Fund Authority (IEPF). Further the Company had transferred 27,435 equity shares of ₹ 10/- each relating to 283 shareholders in respect of which dividend for the financial year ended March 31, 2011 has not been claimed for seven consecutive years or more to Investor and Education Protection Fund Authority (IEPF). The details of the shares transferred to IEPF and the procedure to claim the dividend and shares from IEPF are available in the Company's website under Investor Relations.
  14. Electronic copy of the Annual Report for the financial year 2018-19 and notice of 55th Annual General Meeting are being sent to all the Members whose E-mail IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any Member has requested for a hard copy of the same. For Members who have not registered their E-mail addresses, physical copies of the Annual Report for the financial year 2018-19 and Notice of 55th Annual General Meeting are being sent in the permitted mode.
  15. Members may also note that the Annual Report for the financial year 2018-19 and Notice of 55th Annual General Meeting are available on the Company's website. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Rajahmundry, East Godavari District, Andhra Pradesh, India for inspection from 9 a.m. to 12 noon on any working day. Even after registering for E-communication, Members are entitled to receive such communication in physical form, upon making a request for the same, by post, free of cost. For any communication, the Members may send their requests to the E-mail ID: [Nagendrarao.Mittapalli@ipaper.com](mailto:Nagendrarao.Mittapalli@ipaper.com).
  16. All documents referred to in the accompanying Notice and the Explanatory Statements shall be open for inspection at the Registered Office of the Company from 9 a.m. to 12 noon on any working day till the date of the Annual General Meeting.
- ## PROCESS OF VOTING
1. **E-voting:**
    - a. **For Members whose E-mail addresses are registered with the Company/Depositories:**

In compliance with the provisions of Section 108 of the Act and Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Karvy Fintech Private Limited (formerly Karvy

Computershare Private Limited) (Karvy) on all Resolutions set forth in this Notice.

Members, whose E-mail addresses are registered with the Company/Depositories, will receive an Email from Karvy. Open the E-mail containing the PDF file namely 'ipappm.evoting.pdf' with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.

- i. Launch internet browser by typing the URL: <https://evoting.karvy.com>
- ii. Enter the login credentials (i.e. **User ID and password** mentioned overleaf). Your Folio No./DP ID-Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
- iii. After entering these details appropriately, click on 'LOGIN'.
- iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric (0-9) and a special character (@,#,\$,etc.). The system will prompt you to change your password and update your contact details like mobile number, E-mail ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. **It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.**
- v. You need to login again with the new credentials.
- vi. On successful login, the system will prompt you to select the E-Voting Event Number for International Paper APPM Limited.
- vii. On the voting page, enter the number of shares (which represents the number of votes) as on the cut-off date under 'FOR/ AGAINST' or alternatively, you may partially enter any number in 'FOR' and partially in 'AGAINST' but the total number in 'FOR/ AGAINST' taken together should not exceed your total shareholding as on cut-off date i.e. July 25, 2019. You may also choose the option 'ABSTAIN' and the shares held will not be counted under either head.
- viii. Members holding multiple folios/demat accounts shall choose the voting process

separately for each of the folios/demat accounts.

- ix. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
  - x. You may then cast your vote by selecting an appropriate option and click on 'Submit'.
  - xi. A confirmation box will be displayed. Click 'OK' to confirm, else 'CANCEL' to modify. Once you confirm, you will not be allowed to modify your vote. **During the voting period, Members can login any number of times till they have voted on the Resolution(s).**
  - xii. **Corporate/Institutional Members** (i.e. other than individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF format) of the board resolution/authority letter, etc., together with attested specimen signature(s) of the duly authorized representative(s), to the scrutinizer at E-mail ID: [chr300@gmail.com](mailto:chr300@gmail.com). They may also upload the same in the e-voting module in their login. The scanned image of the above mentioned documents should be in the naming format 'IPAPPM\_EVEN NO.'
- b. **For Members whose E-mail addresses are not registered with the Company/ Depositories:**
- Members will receive Notice of Annual General Meeting providing E-voting (EVEN), User ID and Password. Use the initial password that was provided in the letter for remote e-voting and follow all steps as given in Sr. No. i to Sr. No. xii above, to cast your vote.
2. **Voting at AGM:** The Members, who have not cast their vote electronically, can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM Venue.
- Other instructions**
- i. In case of any queries, you may refer Help & FAQ section of <https://evoting.karvy.com> (Karvy Website) or call Karvy on +91 40 6716 1770/1606 & Toll Free No. 1800 4250 999.
  - ii. You can also update your mobile number and E-mail ID in the user profile details of the folio which may be used for sending future communication(s).
  - iii. The remote e-voting period commences on Monday, July 29, 2019 (9.00 a.m. IST) and ends on Wednesday, July 31, 2019 (5.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. Thursday, July 25, 2019, may cast their vote electronically in the manner and process set out herein above. The

remote e-voting module shall be disabled for voting thereafter. Once the vote on a Resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

- iv. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date Thursday, July 25, 2019.
- v. The Board of Directors has appointed D. Hanumanta Raju & Co. Company Secretaries, B-13, F - 1 & F - 2, P. S. Nagar, Vijayanagar Colony, Hyderabad - 500 057 as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- vi. The scrutinizer shall immediately after the conclusion of voting at the general meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses who are not in the employment of the Company and make a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or person authorized by the Chairman for counter signature.
- vii. The voting results shall thereafter be declared either by the Chairman or by an authorized person of the Chairman and the Resolutions will be deemed to have been passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolution(s).
- viii. Immediately after declaration of results, the same shall be placed along with the Scrutinizer's Report on the Company's website [www.ipappm.com](http://www.ipappm.com) and on the website of Karvy <https://evoting.karvy.com>, and communicated to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed for placing the same on their website.

## **EXPLANATORY STATEMENT IN RESPECT OF THE ORDINARY BUSINESS PURSUANT TO REGULATION 36 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

### **Item No. 3**

#### **Proposed fees payable to M/s. Deloitte Haskins & Sells, Chartered Accountants**

The Board at their Meeting held on May 2, 2019 recommended a remuneration not exceeding ₹ 66.00 lakhs plus reimbursement of travelling and out-of-pocket expenses (excluding applicable taxes) to M/s. Deloitte Haskins & Sells, towards Statutory Audit Fees, Limited Reviews Certification Fees and other Certification Fees for the financial year 2019-20, for approval of the Members at the ensuing Annual General Meeting. The remuneration payable to M/s. Deloitte Haskins & Sells for the years 2020-21 and 2021-22 will be subsequently determined by the Board.

#### **Terms of appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants:**

The Board recommended the re-appointment of M/s. Deloitte Haskins & Sells as Statutory Auditors for a second term of 3 years with respect to the financial years from 2019-20 to 2021-22.

#### **Basis of recommendation for re-appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors and their credentials:**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities.

M/s. Deloitte Haskins & Sells ('DHS' or 'the firm') is a member of Deloitte Haskins & Sells & Affiliates being the Network of Firms registered with the ICAI. DHS is also a member firm of Deloitte. DHS and its affiliate firms in India (collectively referred to as 'Deloitte India') leverage global tools, technology, and best practices of Deloitte.

DHS has nearly 125 year history in India and has Offices across 14 cities. It has over 10,000 professionals with 403 Partners and 500 Directors.

DHS values for Integrity, Outstanding value to markets and clients, Commitment to each other, Strength from cultural diversity etc.,

DHS represented in committees set up by regulators such as the Institute of Chartered Accountants of India (ICAI), Securities Exchange Board of India (SEBI), National Advisory Committee on Accounting Standards (NACAS), Ministry of Corporate Affairs (MCA), Reserve Bank of India (RBI), International Auditing and Assurance Standards Board (IAASB), other regulators and trade associations.

In view of foregoing, the Board commends the Resolution for re-appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, Hyderabad as Statutory Auditors of the Company for a second term of 3 years with respect to the financial years from 2019-20 to 2021-22.

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

### **Item Nos. 4 to 7**

Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate were appointed as Independent Directors of the Company for a term of five years from April 1, 2014 to March 31, 2019, pursuant to the provisions of Section 149 of the Companies Act, 2013 (The Act) read with The Companies (Appointment and Qualification of Directors) Rules, 2014 and the erstwhile Clause 49 of the Listing Agreement with the stock exchanges.

In terms of Section 149 and other applicable provisions of the Act, Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate, being eligible have offered themselves for re-appointment. The Nomination and Remuneration Committee of the Board of Directors, on the basis of the report of performance evaluation of

Independent Directors, has recommended re-appointment of Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate as Independent Directors of the Company for a second term of 3 (three) years. The Board of Directors, based on the performance evaluation and recommendation of Nomination and Remuneration Committee, has re-appointed Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate as Independent Directors of the Company for a second term of three years from April 1, 2019 to March 31, 2022, subject to approval of Members by means of a Special Resolution.

Notices under Section 160(1) of the Act have been received from Members proposing Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate as candidates for the offices of Independent Director of the Company. The Company has also received declarations from Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate, respectively, that they meet the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under the LODR Regulations. In the opinion of the Board, Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate fulfill the conditions specified in the Act and the Rules made there under and LODR Regulations for their re-appointment as Independent Directors of the Company and are independent of the management.

The Board considers that their continued association would be of immense benefit to the Company and it is desirable to continue to avail their services as Independent Directors.

Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate, do not hold any shares in the Company. Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate and their respective relatives may be deemed to be interested in the Resolutions as set out at Item Nos. 4 to 7 of this Notice.

None of the other Directors or Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the said Resolution.

The terms and conditions of their appointment as Independent Directors would be available for inspection by the Members, without any fee, at the Registered Office of the Company on any working day.

This statement may also be regarded as an appropriate disclosure under the LODR Regulations.

The Board commends the Special Resolutions as set out at Item Nos. 4 to 7 of the Notice for approval by the Members.

#### **Item 8**

Pursuant to the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the Board of Directors at its Meeting held on May 2, 2019, subject to the ratification of the remuneration by the Members, approved the re-appointment of M/s. Narasimha Murthy & Co., Cost Accountants, Hyderabad as Cost Auditors of the Company for the financial year ending March 31, 2020 and also payment of remuneration of ₹ 7.75 lakhs (excluding applicable taxes) plus reimbursement of travelling and out-of-pocket expenses as recommended by the Audit Committee at its meeting held on May 2, 2019.

None of the Directors, Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise in the Resolution as set out at Item No. 8.

The Board commends the Resolution as set out at item No. 8 of the Notice for approval by the Members.

By Order of the Board

For **International Paper APPM Limited**

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

Registered Office:  
Rajahmundry - 533 105  
East Godavari District, Andhra Pradesh, India  
June 30, 2019

Particulars of Directors seeking appointment/re-appointment at the 55<sup>th</sup> Annual General Meeting in terms of Regulation 36 of SEBI (LODR) Regulations, 2015

Particulars	Mr. Russell V. Harris	Mr. M.S. Ramachandran	Mr. Praveen P. Kadle	Mr. Adhiraj Sarin	Mr. Milind Sarwate
Date of Birth	March 26, 1967	February 26, 1945	January 21, 1957	August 15, 1952	September 23, 1959
Date of first Appointment	July 25, 2017	December 6, 2011	January 25, 2012	December 6, 2011	December 6, 2011
Qualifications	Bachelor's Degree in Chemical Engineering from Auburn University	Bachelor's Degree in Mechanical Engineering	Honors Graduate in commerce & accountancy and also a Member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Cost and Works Accountants of India.	Bachelor's Degree in Engineering from IIT, Kanpur	Bachelor's Degree in Commerce and also a Member of the Institute of Company Secretaries of India, the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India
Experience in specific functional areas	Mr. Russell V Harris is the Vice President of Containerboard Manufacturing West. His most recent role was manufacturing Vice President, North American Papers. In this role, he was responsible for International Paper's four North American Papers mills and one converting facility. Earlier, he was manufacturing vice president, Coated Paperboard. Prior to joining Coated Paperboard in 2012, Russell held various positions in International Paper's Printing and Communications business. Russell began his career with IP in 1990, and spent his first 16 years with the company at the Courtland, Ala. Mill. While in Courtland, Russell held several positions with increasing responsibility including business unit manager, Pulp Mill, and manager for the Finished Products area. He was promoted to manager of Technical Services for P&C Papers in 2006, and then to mill manager, Riverdale, Alabama, Mill in 2008. Mr. Russell V. Harris has wide experience in Printing and Communication Business and Coated Paperboard in International Paper Company, USA.	Mr. M.S. Ramachandran has held numerous senior positions in the Indian energy sector. He has extensive corporate and operational experience spanning over 35 years with Indian Oil Corporation Limited where he started as a Management Trainee in 1969. He served as Chairman of the Board of Indian Oil Corporation Limited, a Fortune 'Global 500' Company. He also served as the Executive Director of the Oil Coordination Committee of India's Ministry of Petroleum and Natural Gas. He has been on the board as Non-Executive Director for a number of companies and has also acted in an advisory capacity to organizations including BHP Billiton India, Chevron Business Development, Inc. etc.	Mr. Praveen P. Kadle was the founding Managing Director & CEO of Tata Capital Limited and also Managing Director & CEO of Tata Capital Financial Services Limited and has been with the Tata Group for over 18 years. He joined the Tata Group as Chief Financial Officer of Group's joint venture with IBM in India where he served for 5 years. Thereafter, he joined Tata Motors Limited as Vice President (Finance) and in the year 2001 was promoted to the Board of Tata Motors Limited as Executive Director - Finance and Corporate Affairs. He played a major role in the turnaround and growth of Tata Motors where he was also instrumental in setting up and guiding the operations of Tata Technologies and TELCON (a Tata Motors - Hitachi JV). During his tenure at Tata Motors, he was part of the senior leadership team that managed several cross-border acquisitions. Prior to joining the Tatas, Mr. Praveen P. Kadle was the CEO and Member of the Board of Garware-Wall Ropes Limited. Presently, he is an Advisor to Tata Group.	Mr. Adhiraj Sarin was Managing Director of Bunge India, a global major in agri - commodities and Director and CEO of Louis Dreyfus Commodities India Private Limited, a global merchandizer of commodities and processor of agricultural goods. He led a significant expansion at Bunge, with included acquisition of companies in India. He also was the Managing Director of Tube Investments of India (TII), a precision engineering company of the Murugappa Group in Chennai. He also worked for 25 years in Hindustan Unilever Ltd. (HUL) where he started his career as a Management Trainee in 1974 and his last assignment in HUL was as Managing Director of Hind Lever Chemicals, the fertilizer and Specialty chemicals subsidiary of HUL.	Mr. Milind Sarwate brings over 30 years of experience in finance, HR, strategic planning, Corporate development and product supply, across Marico, Godrej and Sanofi Aventis. During 1996, he was one of the two managers selected for the CI-Fulbright Fellowship for Leadership in Management at the Carnegie Mellon University, USA. He has received the ICAI Award 2011 in CFO-FMCG category and the CNBC TV-18 Best Performing CFO Award-FMCG & Retail-2012. During March 2013, the CFO India magazine inducted Milind to the CFO India Hall of Fame. He is currently acting as Designated Partner of Increase Value Advisors LLP.



Particulars	Mr. Russell V. Harris	Mr. M.S. Ramachandran	Mr. Praveen P. Kadle	Mr. Aajiraj Sarin	Mr. Milind Sarwate
Directorships held in other Listed companies	Nil	Supreme Petrochem Limited G O C L Corporation Limited Ester Industries Limited Gulf Oil Lubricants India Limited ICICI Prudential Life Insurance Company Limited	NIL	Tinna Trade Limited	Glenmark Pharmaceuticals Limited Mindtree Limited Matrimony.com Limited
Memberships / Chairmanships of Committees of other Listed companies (Only Audit Committee and Stakeholders' Relationship Committee)	Nil	<b>Member of Audit Committee</b> Ester Industries Limited <b>Chairman of Stakeholder Relationship Committee</b> Gulf Oil Lubricants India Limited	NIL	Nil	<b>Member of Audit Committee</b> Glenmark Pharmaceuticals Limited <b>Chairman of Audit Committee</b> Mindtree Limited Matrimony.com Limited <b>Member of Stakeholders Relationship Committee</b> Glenmark Pharmaceuticals Limited
Number of shares held in the Company	Nil	Nil	Nil	Nil	Nil
Relationship with other Directors and Key Managerial Personnel of the Company	Nil	Nil	Nil	Nil	Nil

For other details such as number of Meetings of the Board of Directors attended during the year and remuneration drawn, please refer to the corporate governance report which is a part of this Annual Report.



as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 55<sup>th</sup> Annual General Meeting of the Company to be held on **Thursday, August 1, 2019 at 12.30 P.M. at Cherukuri Veerraju Subbalakshmi Convention Centre, Jawaharlal Nehru Road, Rajahmundry - 533 103, East Godavari District, Andhra Pradesh, India** and at any adjourned meeting thereof in respect of such Resolutions as are indicated below:

Resolution Number	Resolution	Vote		
		For	Against	Abstain
<b>Ordinary Business</b>				
1.	Adoption of audited financial statements of the Company for the financial year ended March 31, 2019 and the Reports of Board of Directors and Auditors thereon (Ordinary Resolution)			
2.	Appointment of a Director in place of Mr. Russell V. Harris (DIN: 07863226) who retires by rotation and being eligible offers himself for re-appointment (Ordinary Resolution)			
3.	Re-appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors of the Company for a second term of 3 years with respect to the financial years from 2019-20 to 2021-22 (Ordinary Resolution)			
<b>Special Business</b>				
4.	Re-appointment of Mr. M.S. Ramachandran (DIN: 00943629) as an Independent Director of the Company for a second term of 3 years from April 1, 2019 to March 31, 2022 (Special Resolution)			
5.	Re-appointment of Mr. Praveen P. Kadle (DIN: 00016814) as an Independent Director of the Company for a second term of 3 years from April 1, 2019 to March 31, 2022 (Special Resolution)			
6.	Re-appointment of Mr. Adhiraj Sarin (DIN: 00140989) as an Independent Director of the Company for a second term of 3 years from April 1, 2019 to March 31, 2022 (Special Resolution)			
7.	Re-appointment of Mr. Milind Sarwate (DIN: 00109854) as an Independent Director of the Company for a second term of 3 years from April 1, 2019 to March 31, 2022 (Special Resolution)			
8.	Ratification of remuneration of Cost Auditors for the financial year ending March 31, 2020 (Ordinary Resolution)			

Signed ..... day of ..... 2019

.....  
Signature of the Member

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

Affix revenue stamp of not less than Re.0.15
--

Notes:

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

# Attendance slip



**INTERNATIONAL PAPER APPM LIMITED**  
 (Formerly known as The Andhra Pradesh Paper Mills Limited)  
 (CIN: L21010AP1964PLC001008)

Regd. Office: Rajahmundry – 533 105, East Godavari District, Andhra Pradesh, India  
 E-mail: prabhakar.cherukumudi@ipaper.com; Website: www.ipappm.com

### 55<sup>th</sup> Annual General Meeting – August 1, 2019

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

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

Number of shares held

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

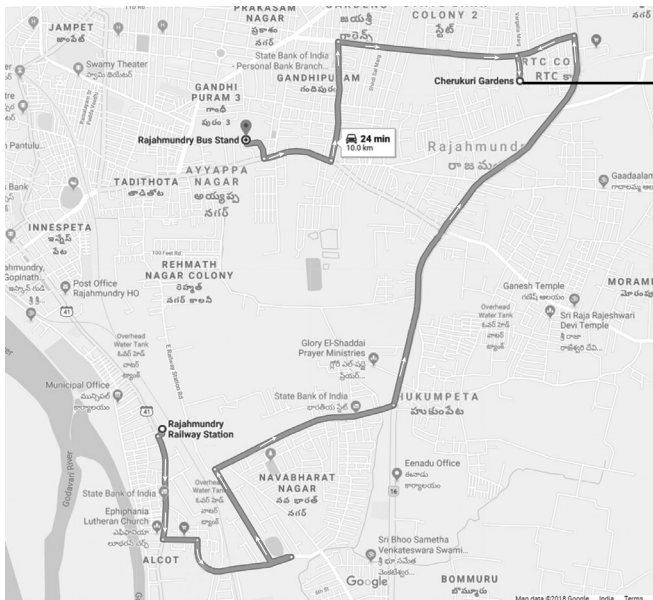
I certify that I am a Member / proxy for the Member of the Company.

I hereby record my presence at the 55<sup>th</sup> Annual General Meeting of the Company held on **Thursday, August 1, 2019 at 12.30 P.M. at Cherukuri Veerraju Subbalakshmi Convention Centre, Jawaharlal Nehru Road, Rajahmundry – 533 103, East Godavari District, Andhra Pradesh, India**

.....  
 Name of the Member/proxy

.....  
 Signature of the Member/proxy

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



#### AGM Venue

Cherukuri Veerraju Subbalakshmi Convention Centre,  
 Jawaharlal Nehru Road, Rajahmundry – 533 103,  
 East Godavari District, Andhra Pradesh, India

Tear Here





**INTERNATIONAL  PAPER**

**INTERNATIONAL PAPER APPM LIMITED**

**55<sup>th</sup> ANNUAL REPORT 2019**

# TABLE OF CONTENTS

<b>1</b>	<b>MANAGEMENT NARRATIVES</b>	
	Chairman’s Message	02
	Corporate Overview	03
	Sustaining Forests	04
	Investing in People	06
	Improving Our Planet	08
	Innovative Products	10
	Inspired Performance	12
	Corporate Social Initiatives	14
	Board of Directors	15
	Corporate Information	16
<b>2</b>	<b>GOVERNANCE</b>	
	Board’s Report	17
	Management Discussion & Analysis	32
	Report on Corporate Governance	39
<b>3</b>	<b>FINANCIAL SECTION</b>	
	Independent Auditor’s Report	50
	Balance Sheet	56
	Statement of Profit and Loss	57
	Statement of Changes in Equity	58
	Cash Flow Statement	59
	Notes forming part of the financial statements	61

## **KPRISM- Mobile service application by Karvy:**

“Members are requested to note that, Registrar and Share Transfer Agents , M/S KARVY Fintech Private Limited have launched a new mobile application - KPRISM and website <https://kprism.karvy.com> for online service to shareholders.

Members can download the mobile application, register yourself (onetime) for availing host of services viz., consolidated portfolio view serviced by Karvy, Dividends status and send requests for change of Address, change / update Bank Mandate. Through the Mobile app, members can download Annual reports, standard forms and keep track of upcoming General Meetings , IPO allotment status and dividend disbursements. The mobile application is available for download from Android Play Store or scan the below QR code. Alternatively visit the link <https://kprism.karvy.com/app/> to download the mobile application.”



<https://kprism.karvy.com/app/>





# CHAIRMAN'S MESSAGE

**Dear Shareholders,**

I have mixed emotions as I write to you regarding our company results and position for FY 2019. I am happy to report that it was a year that included many record best performances for IP APPM. We have delivered our best-ever financial performance driven by record sales with efficient mill and business operations and **record profits**. The great team of leaders and people of IP APPM have dedicated themselves to improving company performance and they have done it again in FY 2019. My mixed emotions come from the news that International Paper Co. announced the sale of its controlling interest in IP APPM to West Coast Paper Mills Ltd. This may be the last annual report as IP APPM, but I am very confident that this business is well positioned to succeed in its future with West Coast.

We continue to move in the right direction to create more **value for our customers**. Our customers depend on us to enable their own business success. They need our paper to print, to publish, to convert and to sell. During FY 2019, we improved our OTIF delivery rate (On-Time-In-Full) to ~93%, top tier in the Indian paper industry. With new and **innovative products and service** solutions, we can ensure that we provide the best possible value to our customers and further solidify our partnerships.



Our employees have driven the performance of the company: from sales to operations, from procurement to finance and all of the functions needed to make our business work. We depend on our people, so we **invest in our people**. From leadership training to new job assignments, from six-sigma skills to precision maintenance, we are investing in our people to develop better capabilities to improve the business performance. We match leadership and skills with proven processes to drive improvements. Good examples are safety and mill productivity. Employee safety is managed under the Safety Leading Indicators program and results have improved by 20%. We are getting closer to the ultimate goals of zero safety incidents. Our productivity improvements are enabled by people using our Manufacturing Excellence programs which created record pulp and paper production in FY 2019.

Our forestry team has further enhanced our strategy for **sustaining forests** enabling long term access to cost competitive fibre. Sustainable low cost fibre is critical to our strategy and the health of the paper industry. We are partnering with R&D scientists, private growers and the farming community to develop clones that increase yield thus creating value for both IP APPM and the extensive farming community linked to our business.

We care deeply about the environment, so we have developed a long term plan for sustainability that will reduce our environmental impact over time and help to **improve our planet**. In the short term, we take deliberate efforts to improve our use of water, chemicals and energy as well as improve our stack air emissions and solid waste disposal. We are accountable for our environmental impact and take responsibility for making improvements.

We have delivered an **inspired performance** for FY 2019. Our stock price appreciation of ~40% over the year, reflects record financial results and a strong balance sheet that positions the company well, for the future.

I would like to extend my gratitude and appreciation to our Board of Directors, the IP APPM leadership team and our employees for their support and commitment. I believe our future for IP APPM is bright.

Sincerely

A handwritten signature in dark ink that reads "Donald P. Devlin". The signature is written in a cursive, slightly stylized font.

**Donald P. Devlin**  
Chairman & Managing Director

# 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 five 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.

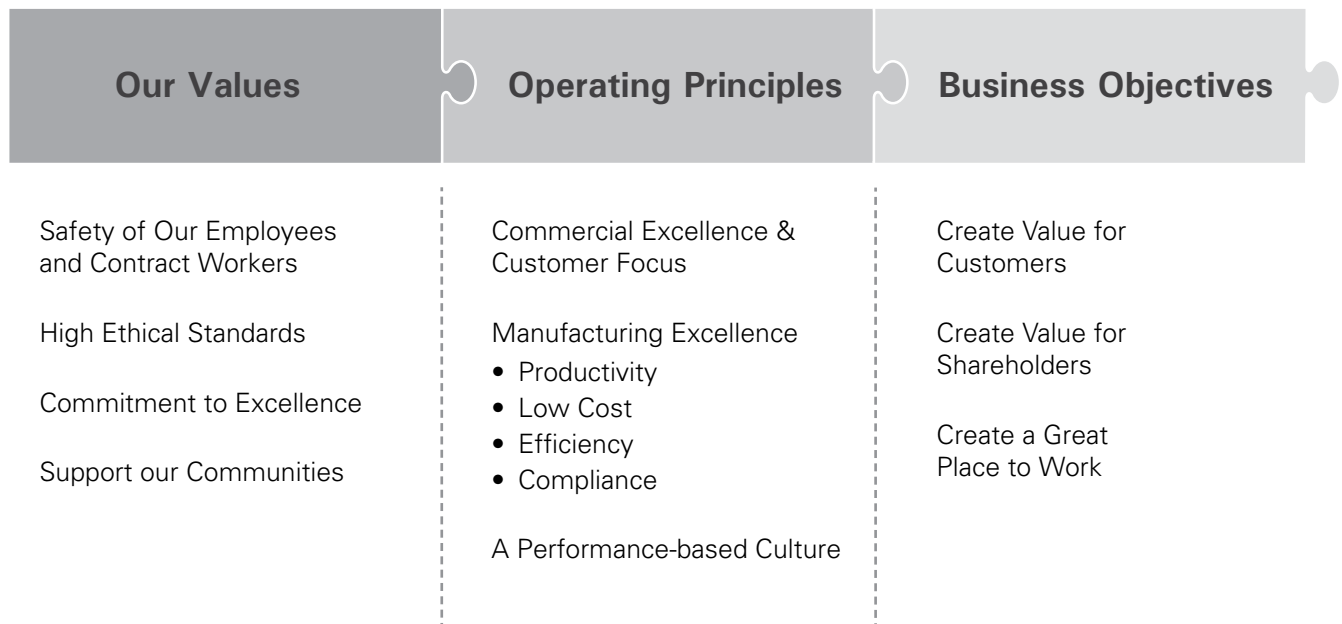
The Company has ~1,900 permanent employees and ~3,200 contract workers. The manufacturing facilities comprise of two mills at Rajahmundry and Kadiyam,

both located in the East Godavari District, and a conversion center at SN Palem in Krishna District, all located in the State of Andhra Pradesh.

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

## Our Vision

Our vision is to be among the most successful, sustainable and responsible companies in India



# SUSTAINING FORESTS

Our entire business depends upon the sustainability of forests. We will continue to lead in responsible forest stewardship to ensure healthy and productive forest ecosystems.

## Forest

Our Company's farm forestry program generates more wood on the earth than we consume; in fact, at more than double the rate of consumption. Our investment towards responsible farm forest stewardship ensures a healthy and productive forest ecosystem.

The Company has begun execution of its fiber strategy to increase procurement within a radius of 150 KM of the mills. In this direction, the Company initiated partnerships with leading forestry institutions to complement its forestry R&D program. The Company is committed to increase farmers' income by increasing per unit yield from their pulpwood plantations.

## Research and Development

Our research and development projects have helped in ensuring higher survival percentage of seedlings, higher productivity per unit area and reduction in the rotation cycle. In order to be environmentally friendly, we have eliminated the traditional practices of poly bag nursery techniques, and other low cost planting techniques have been introduced. International Paper APPM has also introduced high yielding, disease resistant Casuarina clonal saplings, which ensures additional silvicultural gains for the farmers. The clonal research activities have been extended to the mill catchment areas of Andhra Pradesh in order to meet the growing demand of the beneficiaries.

During the year the Company distributed 2.5 million high yielding clones along with 32 million Casuarina seedlings to farmers. The total number of saplings distributed since 1989 has gone up to 1751 million since 1989. As at March 31, 2019 there are 2.53 lakh hectares of forest area under IP APPM's farm forestry initiatives benefiting 8892 farmers.

**1,751** million  
saplings since 1989

**2.53** lakh  
hectares under farm forestry  
initiatives since 1989

**35**  
million saplings planted in FY19

**8,892**  
farmers sustaining our forest  
programme

**1,471**  
new farmers added in FY19

**3,581**  
hectares of farm forestry  
added in FY19



# INVESTING IN PEOPLE

We invest to protect and improve the lives of our employees, mobilize our people, products and resources to address critical needs in the communities where our employees live and work.

## Safety

The safety of our employees is our highest priority. We have robust safety programs that require leadership, sound policy, continual training plus certification and constant communication. Most importantly, it requires our employees to engage and take responsibility for the work environment and safe behaviours of themselves and their colleagues.

We have implemented a safety leading indicator program that focuses on identifying and eliminating risks and hazards before they become an incident. These efforts are continuous and evolving to achieve and maintain an injury-free workplace.

## Attract Talent

Talent is needed at all levels. We hire young engineers to develop future leaders. We hire the industry's best talent to develop mid-level leaders. We promote from within to develop our bench strength for top management.

## Develop Capabilities

We use a combination of training, coaching and on-the-job experience to develop our people. From safety to maintenance skills, to 6 sigma and leadership development, we invest in our people to create a work-force that is highly engaged and improving capabilities.

## Retain + Engage

We believe that highly engaged employees care more about their efforts, care more about their colleagues and produce better results for safety, production, serving our customers and earning better profits.

~1,900

Employees

70

Participated in the annual leadership conference

## High participation in Key Training Programs:

- Leadership
- Safety
- Precision Maintenance
- Health & Wellness
- Manufacturing Excellence
- Market-Based Value



# IMPROVING OUR PLANET

## Our Sustainability Goal

With the fast pace development of country, resources are becoming increasingly scarce, therefore, being India's one of the largest pulp & paper manufacturing units and recognizing our environment responsibilities towards our stakeholders, we embarked upon an ambitious journey to identify global trends, material to our business and develop long term sustainability goals around it during the year 2018-19. We created Vision 2030 document, focusing on broadly five material aspects namely Fiber, Air, Water, Energy and Solid waste where we can have the greatest impact. We defined our sustainability policy and created 12 long term sustainability goals related to above 5 material aspects and now we are in the process of developing road map to achieve these goals by 2030. This initiative will help us in establishing as one of the most successful, sustainable and responsible companies in India.

We make paper products from fibre, which comes from nature and sustainable forests. Along with promoting sustainable forestry practices, our goal is to minimize the environmental impact and promote the long-term sustainability of natural capital.

## Land, Water and Air

We are committed to compliance with environmental regulations and continuously monitor our actions and output to ensure we operate within limits. Our mills have direct links to the Andhra Pradesh PCB monitoring systems providing live daily feeds.

We are investing capital to reduce water consumption, convert sludge to energy and improve controls for boiler stack emission and odorous chemicals.

The monitoring of effluent treatment plant performance has facilitated the reuse, reduction and recycling of sludge. New technologies were adopted for odour control to collect and treat foul streams. Implemented projects to reuse and recirculate water within our mills to minimize consumption of fresh water.

We invest in R&D and collaborate with both farmers and government to support a sustainable forestry strategy ensuring a healthy forest and sustained access to fibre for years to come.

**5.86%**  
Reduction in power  
consumption/ton of paper

**1.13%**  
Reduction in average daily  
effluent discharge

**11.62** Lakh m<sup>3</sup>  
Annual volume of water supplied  
to villages in Kadiyam and  
Rajahmundry

**9.4%**  
Reduction in water  
consumption/ton of paper.

**5.36%**  
Reduction in process  
steam consumption/ton of paper





# INNOVATIVE PRODUCTS



We create innovative,  
sustainable and  
recyclable products  
that help our  
customers achieve  
their objectives.

We continue to focus on creating innovative, sustainable and recyclable products that help our customers achieve their needs and satisfy changing consumers. IP APPM manufactures a wide variety of writing, printing, copier and speciality papers for foreign and domestic markets.

Apart from developing new products, keeping industry dynamics in mind, it is our continuous endeavour to improve the existing products based on feedback from customers & trade partners to make our products suit their requirements.

### **FY19 Highlights**

The Sales Volumes grew by over 3.4%, which correlates to around 7800 MT over FY18.

### **New Products Introduced**

New products introduced in 2018: HP-70GSM, IPAPPM Cupstock on RJ#2 and developed TruPrint Premium on RJ#3.

### **Writing and Printing**

We offer a wide range of superior quality writing and printing papers suitable for printing journals, text books, reference books, calendars and a variety of other commercial printing applications as well as for notebooks and diaries.

### **Copier**

The papers are available in best-in-class brightness and produced with Elemental Chlorine Free (ECF) Pulp technology. Our 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 and Multi-functional devices.

### **Speciality**

IP APPM offers a wide range of superior quality Specialty grade products that are custom engineered to suit specific and diverse range of applications.



# INSPIRED PERFORMANCE



We strive to deliver long-term value for all stakeholders. By investing in attractive, fibre-based markets, controlling costs, managing capital spending and focusing on deliberate improvement efforts to increase productivity and efficiency, we have generated strong, free cash flow.

## Safety

Reduced number of safety incidents by 20%.

## Financial

The Company's financial performance improved by earning its highest recorded EBITDA and PAT. These results were driven by higher sales volume, higher selling prices as well as record production levels and improved efficiency and manufacturing cost. While EBITDA registered a substantial increase, Profit After Tax improved by 140% supported by better sales, improved efficiency and manufacturing cost.

## Operational Excellence

Our teams have integrated the Manufacturing Excellence approach to identify internal process improvement opportunities. Now employees are driving operational initiatives and reliability improvements that provide significant year-over-year benefits.

## Key Performance Metrics

### Revenue

FY 16-17	₹ 123,094 lakhs
FY 17-18	₹ 127,980 lakhs
FY 18-19	₹ 142,733 lakhs

### Sales Volume

FY 16-17	220,900 MT
FY 17-18	230,900 MT
FY 18-19	238,700 MT

### OTIF

FY 16-17	81%
FY 17-18	90%
FY 18-19	92%

### EBITDA

FY 16-17	₹ 17,610 lakhs
FY 17-18	₹ 22,676 lakhs
FY 18-19	₹ 39,317 lakhs

## Social Economic Value Added

### Taxes Paid

₹ 11,126 lakhs

### Employee Benefits Expense

₹ 15,268 lakhs

### Production Volume

FY 16-17	215,700 MT
FY 17-18	228,900 MT
FY 18-19	238,700 MT

### Overall Machine Efficiency

FY 16-17	87%
FY 17-18	89%
FY 18-19	90%

### Profit After Tax

FY 16-17	₹ 3,240 lakhs
FY 17-18	₹ 8,306 lakhs
FY 18-19	₹ 20,008 lakhs

### Free Cash flow

FY 16-17	₹ 15,311 lakhs
FY 17-18	₹ 20,730 lakhs
FY 18-19	₹ 33,695 lakhs

### CSR Spent

₹ 114 lakhs

### Farm Forestry Spent

₹ 183 lakhs

# CORPORATE SOCIAL INITIATIVES

We believe that investing in the communities where our employees live and work is crucial to their sustainable development and we have been involved in community development work since our inception. The focus areas of Company's Social Initiatives - Health & Wealth, Education and Community Engagement make positive contributions to the Communities around the manufacturing facilities and farm forestry areas.

**FY 19 CSR Spent**

**₹ 113.79** lakhs

## Awards & Recognitions

CSR award 2018 was presented by Janmabhoomi Committee to the Company for impactful CSR projects undertaken by it in the areas of Health and Wellness, Education and Community Engagement.

### Health & Wellness

Safe drinking water  
Hospital Infrastructure

#### Safe drinking water

**6** Plants

**3,000** Households



### Education

Teacher's training  
School Infrastructure  
Scholarships  
Spoken English Training

#### Teacher's training

**100** Teachers

**10,000** Students

#### Scholarships

**120** Students

**74** Schools

#### Spoken English Training

**1,700** Students

**12** Schools

### Community Engagement

Monetary support to Kerala State Government for rehabilitation of people affected by floods.

Monetary support to the families of deceased CRPF Personnel.



# BOARD OF DIRECTORS



**Mr. Donald P. Devlin**  
Chairman & Managing Director



**Mr. Adhiraj Sarin**  
Independent Director



**Ms Megan A. F. Bula**  
Non Executive Director



**Mr. W. Michael Amick Jr.**  
Non Executive Director



**Mr. Milind Sarwate**  
Independent Director



**Mr. Praveen P. Kadle**  
Independent Director



**Mr. M.S. Ramachandran**  
Independent Director



**Mr. Russell V. Harris**  
Non Executive Director

# INDIA LEADERSHIP TEAM



**(Left to right):** Mr. Anish T. Mathew (Chief Financial Officer), Mr. Sura Reddy Mallidi (Head - Operations), Mr. Shyam Srivastava (Purchasing & Forestry), Ms Lakshmi Prasad (Government Relations), Mr. Donald P. Devlin (Chairman & Managing Director), Mr. Sreenivas Pamidimukkala (Chief Information Officer), Ms Karthika Kumaresan (Legal), Mr. Prabhakar Cherukumudi (Company Secretary & CSR) and Mr. Atanu Chakrabarti (Sales & Supply Chain)

## 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 – 500081  
Telangana, India  
Phone: +91 40 3312 1000  
Fax: +91 40 3312 1010

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

### Works

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

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

**CIN: L21010AP1964PLC001008**

### Auditors

Deloitte Haskins & Sells,  
Chartered Accountants  
Hyderabad

### Cost Auditors

Narasimha Murthy & Co.,  
Cost Accountants  
Hyderabad

### Secretarial Auditors

D. Hanumanta Raju & Co.,  
Company Secretaries  
Hyderabad

### Bankers

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

# BOARD'S REPORT

Dear Members,

The Board of Directors has the pleasure in presenting its 55<sup>th</sup> Report along with the Audited Accounts for the year ended March 31, 2019.

## Performance Review

During the financial year 2018-19, the Company recorded an impressive performance by recording its highest EBITDA and Profit After Tax (PAT). While EBITDA registered an increase by 73%, PAT improved by 140%. These results were driven by higher sales volume, higher sales price realization and lower input cost. Improved productivity from our mills helped to generate more volume for sales revenue and lower manufacturing cost from more efficient operations. The Company continued to focus on important initiatives for improving safety and environmental compliance as well as improving the customer experience and operational efficiencies.

## Summary of Financial Results

(In ₹ Crores)

Particulars	March 31, 2019	March 31, 2018
Sales and other operating income	1427.33	1279.80
Earnings before interest, depreciation and taxation (EBITDA)	393.16	226.72
Finance costs	8.54	26.09
Depreciation	67.87	65.81
Profit before exceptional items	316.75	134.82
Exceptional items	(5.42)	(8.37)
Profit before tax	311.33	126.45
Tax expense	111.26	43.39
Profit for the year	200.07	83.06

## Dividend

In order to conserve the resources for meeting future capital needs related to maintenance, regulatory, cost reduction and potential strategic projects, the Board of Directors have decided not to recommend dividend on the equity shares of the Company.

## Markets, Customers and Commercial Excellence

Demand for Writing & Printing papers in India continues to grow. From education to publishing, to office use, the consumption of paper is moving with the many market segments that are fueling the economic growth of India. The supply and demand for paper during 2018-19 was balanced with domestic and foreign producers competing for customers and supply position. Foreign producers importing into India are aggressively positioning their products and establishing capable supply lines for selling quality products into India. As a relatively small producer, IP APPM must have high quality products, but must also distinguish itself among the competition. Over time, customers expect more from us so the commercial team is focused on improving the overall customer experience. The product itself is just one piece of the equation and we must deliver value to the customer

including product choice, dependable and consistent service and capable technical support.

Our *Forecast Accuracy* of 81% and *On-Time-in-Full* delivery rate of 92% are among the best in the Industry. This high service level has helped our channel partners to better plan their resources and commitments thus increasing the value that we can provide for both the distributor and customer.

Our concept of "*Think Customer*" is yielding better results to enhance customer satisfaction by way of increased speed, better *On-Time-in-Full* delivery and reduced *Turn-Around-Time* to address quality improvements. The focus on high service and delivering more value to our customers has ultimately resulted in our ability to grow sales volume by ~3% over last year.

## Manufacturing, Operations and Safety

The manufacturing teams use a systematic approach and programs for managing safety and manufacturing excellence. Each year, we build improvement targets into the operating plans. The results of these programs have helped to improve safety performance by reducing incidents to the lowest level recorded among employees. The mill manufacturing teams have improved pulp and paper productivity to record levels during FY 2018-19. The productivity improvements drove lower costs for fiber, energy and chemicals and delivered record paper production and sales.

## Raw Material Security

Long term access to cost effective fiber is important to our strategy. The IP APPM forestry team is building lasting partnerships with farmers, research institutions and vendors. These partnerships are important to ensure that each participant gets a benefit from their investment.

The Company continued to focus on a long term fiber security strategy by providing high quality Casuarina clones and seedlings to farmers, with an eye to develop sustained fiber supply within a catchment of 150 km radius. The Company also partnered with private nurseries to build capacity for production and distribution of clones. The Company also continued to partner with the Institute of Forest Genetic & Tree Breeding, Coimbatore (IFGTB) to ensure the broadest approach to sharing best practices, gaining knowledge and performing R&D for enhancing productivity.

All these activities shall ensure sustainable supply and long term security of virgin fiber to our mill. Our farm forestry program has led to the plantation of 2.5 million high yielding Casuarina clones, along with 32 million Casuarina seedlings within a radius of 150 Km of the mill. This covered 3,834 hectares of plantation and generated 1.92 million man-days of employment for farmers. The Company's policy to bring down the procurement area near to the mill has further helped in rationalizing the cost of virgin fiber during 2018-19.

## Employee Development and Engagement

The Company's agenda for engaging and developing its employees includes initiatives to attract, develop and retain talent. The key focus areas included diversity and inclusion,



succession planning, developing a talent pool for critical positions, quality of life programs and leadership development.

We have taken a professional approach to industrial relations. While upholding the IP philosophy of treating people with dignity and respect as well as important principles of labor relations, we engaged with the union leaders, management and government.

The Company successfully signed a long-term collective bargaining agreement, for the period January 2017 to June 2020, with Rajahmundry unit workmen on January 7, 2019. In line with the philosophy of treating people with respect and equity, the Company introduced medical insurance policy for mill workers and their spouses that will cover their hospitalization expenses.

The annual leadership conference was attended by Company's top 70 leaders. The Company used this opportunity to recognize its leaders' accomplishments as well as review the success, failures and learnings from 2018. Finally, with all of the top leaders in one room, the Company reviewed the goals for next year and made sure that all are aligned on the 2019 priorities.

In May / June, 2019 the Company conducted MyView Employee Engagement Survey which is aimed at building an exceptional engagement culture that takes everyone's view into consideration – a culture that allows for greater understanding and empowers each employee to make a positive impact. The participation rate was around 98%. The survey results are expected in August, 2019 after which necessary action plan on the feedback will be initiated.

### **Leveraging the power of Information Technology**

In an effort to enable better decision making, provide improved management of information and ultimately provide better control of manufacturing processes, the Company has initiated a program that utilizes technology for automation and data analytics. In the long term, the benefits of automation and data analytics should create value by saving time, lowering cost and improving productivity.

### **Community Service and Engagement**

The Company is committed to support of the communities where it operates by supporting Education, Health & Wellness and Community Engagement.

The Company had adopted a CSR Policy which is placed on the Company's website: [www.ipappm.com](http://www.ipappm.com). The Members of Corporate Social Responsibility Committee as on March 31, 2019 comprised of:

Mr. M. S. Ramachandran (Independent Director) – Chairman

Ms Ranjana Kumar (Independent Director) – Member

Mr. Donald P. Devlin (Chairman & Managing Director) – Member

As per Section 135 of the Companies Act, 2013, the Company is required to spend a sum of ₹ 111.32 lakhs during the financial year 2018-19 whereas the Company spent a sum of ₹ 113.79 lakhs (Including donation of ₹ 13.83 lakhs given to IP India Foundation, a Section 8 Company) for supporting various CSR initiatives in these focus areas.

The Annual Report on CSR activities is at Annexure- 1to the report.

### **Awards**

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

- a. Certificate of Appreciation for good practices in safety systems was presented in September 2018 to International Paper APPM Ltd. - Unit Kadiyam by Federation of Indian Chambers of Commerce and Industry; and
- b. CSR award 2018 was presented by Janmabhoomi Committee to International Paper APPM Limited for impactful CSR projects undertaken by it in the areas of health and wellness, education and community engagement.

### **Related Party Transactions**

All related party transactions that were entered into during the financial year under review were at arm's-length basis and 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.35 to the financial statements.

### **Remuneration Policy**

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

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

### **Technology Absorption & Energy Conservation**

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given in Annexure - 2 attached to 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 approximately 40% of its total cost on procurement of fiber viz. casuarina, subabul, mixed hard wood, eucalyptus etc. Keeping in view the criticality

of this factor, the Company has been expanding farm forestry program to secure fiber supply.

**b. Competition Risk**

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

**c. Occupational Health & Safety (OH&S)**

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

**Directors**

**a. Meetings of the Board**

The Company prepares Calendar of Meetings for each calendar year and circulates the same in advance to all the Directors. During the year under review, 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 this Report.

**b. Non-Executive Directors:**

As per the provisions of Companies Act, 2013, Mr. Russell V. Harris will retire by rotation at the forthcoming Annual General Meeting and being eligible offered himself for reappointment.

**c. Independent Directors**

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

The Company received communication from Ms Ranjana Kumar, expressing her unwillingness for reappointment due to personal commitments. Accordingly, Ms Ranjana Kumar's office as an Independent Director of the Company ceased with effect from closure of business hours on March 31, 2019. The Board placed on record its appreciation for her valuable guidance as Independent Director of the Company.

The Board of Directors at their meeting held on January 30, 2019, based on the recommendation of Nomination and Remuneration Committee and subject to approval of members by special resolution, reappointed Mr. M.S. Ramachandran, Mr. Praveen P. Kadle, Mr. Adhiraj Sarin and Mr. Milind Sarwate as Independent Directors of the Company, for a second term of three years effective April 1, 2019. Further, Mr. M.S. Ramachandran shall be attaining the age of seventy five years during this second term and hence approval of members by special

resolution is also being sought for the same, at the forthcoming Annual General Meeting.

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

Separate Meetings of Independent Directors were held on May 2, 2018 and October 24, 2018.

**d. Key Managerial Personnel**

Mr. Donald P. Devlin, Chairman & Managing Director, Mr. C. Prabhakar, Company Secretary and Mr. Anish T. Mathew, Chief Financial Officer are the Key Managerial Personnel of the Company.

**e. 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 performance of Board, as well as the evaluation of the working of its Committees.

A separate exercise was carried out to evaluate the performance of individual directors including the Chairman & Managing Director who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interests of the Company and its minority shareholders etc. The outcome of Board evaluation for the financial year 2018-19 was discussed by the Board at the Meeting held on May 2, 2019.

**f. Board Training and Induction**

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

**g. Audit Committee**

The Audit Committee as on March 31, 2019 comprised of Mr. Praveen P. Kadle as Chairman and Messrs. Milind Sarwate, Adhiraj Sarin and W. Michael Amick Jr. as other Members. All the recommendations made by the Audit Committee were accepted by the Board.

**Annual Return**

In terms of Section 134 of Companies Act, 2013, the Annual Return for the financial year ended March 31, 2019 is placed on the website of the Company.

**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. The Directors' 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 all working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary at the Registered Office in this regard.

### **Vigil Mechanism**

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

### **Internal Financial Controls**

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

Statutory Auditors audited the Internal Financial Controls (IFC) over financial reporting of the Company as of March 31, 2019 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. The term of appointment of Messrs Deloitte Haskins & Sells, Chartered Accountants concludes at this Annual General Meeting.

Pursuant to the provisions of Companies Act, 2013, Messrs Deloitte Haskins & Sells, Chartered Accountants are eligible for re-appointment as Statutory Auditors of the Company for a second term of three years. Messrs Deloitte Haskins & Sells, Chartered Accountants have provided their consent and also confirmed their eligibility, for the reappointment.

Re-appointment of M/s. Deloitte Haskins & Sells is being submitted for approval of the Members at the forthcoming Annual General Meeting.

### **Secretarial Auditors**

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

Secretaries in respect of financial year 2018-19 is attached as Annexure-3 to this Report.

### **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 May 2, 2019 appointed Messrs Narasimha Murthy & Co., Cost Accountants as Cost Auditors of the Company at a remuneration of ₹ 7.75 lakhs (excluding applicable taxes) plus reimbursement of travelling and out-of-pocket expenses on the recommendation of Audit Committee for the financial year ending March 31, 2020 and their remuneration is submitted for ratification by the Members at the forthcoming Annual General Meeting.

### **Cost Accounting Records and Cost Audit**

Cost accounting records for the financial year under review were maintained as per the Companies (Cost Records and Audit) Rules, 2014. M/s. Narasimha Murthy & Co., Cost Accountants were appointed as Cost Auditors of the Company to audit the Cost Records for the financial year ended March 31, 2019. The Cost Audit Report for the financial year ended March 31, 2018 was filed with the Ministry of Corporate Affairs in August, 2018.

The Cost Audit Report for the year ended March 31, 2019 will be filed before September 30, 2019.

### **Public Deposits**

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

### **Particulars of loans, guarantees or investments**

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

### **Subsidiary Company**

The Company made an investment of ₹ 5 lakhs by way of share capital in IP India Foundation, incorporated under Section 25 of 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 were 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, 2019, the Foundation recorded a surplus of ₹ 20.75 lakhs.

The Company undertakes that annual accounts of IP India Foundation and the related information will be made available to the members of holding company seeking such information at any point of time. The annual accounts of IP India Foundation are placed on the Company's website and are also available for inspection by any Member at the Registered Office of the Company during business hours on working days of the Company. Statement containing salient features of the financial statement of IP India Foundation for the financial year ended March 31, 2019 is attached as Annexure-4 to this Report.

### **Material changes and commitments affecting the financial position of the Company which occurred between end of financial year and date of the Report**

On May 29, 2019, the promoters of the Company namely International Paper Investments (Luxembourg) S.A.R.L and IP International Holdings Inc. holding 21,856,033

equity shares of ₹ 10 each and 79,71,496 equity shares of ₹ 10 each respectively, comprising 75% of the issued and paid up capital of the Company on a fully diluted basis, have executed a Share Purchase Agreements ("SPA") with West Coast Paper Mills Limited (Purchaser) to sell such number of equity shares of the Company aggregating to a minimum of 51% and up to a maximum of 60% of the issued and paid up capital of the Company as per the terms and conditions stated in the SPA.

The aforesaid transaction is subject to receipt of requisite regulatory approval(s), as applicable.

The Company was a party to Share Purchase Agreement for the limited purpose of undertaking certain obligations viz., carrying business in ordinary course, not to sell business or assets otherwise than in ordinary case, not to alter the constitutional documents etc.,

### **Directors' Responsibility Statement**

The Board of Directors hereby confirms and declares that:

- in the preparation of final accounts for the year ended March 31, 2019 the applicable accounting standards had been followed;
- 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, 2019 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, 2019 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 effectively;
- they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **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 thereunder 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.
- During the year, one complaint was filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the respondent against whom the complaint has been filed has subsequently resigned from the services of the Company.

### **Acknowledgements**

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

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

For and on behalf of the Board



**Donald P. Devlin**

Place: Hyderabad  
Date: June 30, 2019

Chairman & Managing Director

# ANNEXURE-1

## Annual Report on Corporate Social Responsibility activities

**1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs**

CSR vision of the Company is to support, enhance and respect the communities, wherever the employees of the Company live and work. The focus areas of CSR activities are Education, Health & Wellness and Community Engagement which make positive contributions to communities around the Company's manufacturing facilities and farm forestry areas. The Company is continually refining its programs and seeking opportunities to make difference in the communities where they live and operate.

The CSR policy of the Company sets framework guiding the Company's CSR activities. A copy of the CSR policy is uploaded on the Company's website: [www.ipappm.com](http://www.ipappm.com)

**2. The Composition of the CSR Committee**

In accordance with the provisions of Section 135 of Companies Act, 2013, the Board of Directors constituted Corporate Social Responsibility Committee. As on March 31, 2019 the Committee comprised of:

1.	Mr. M. S. Ramachandran, Non-Executive Independent Director	-	Chairman
2.	Ms Ranjana Kumar, Non-Executive Independent Director	-	Member
3.	Mr. Donald P. Devlin, Chairman & Managing Director	-	Member

**3. Average net profit of the Company for the last three financial years**

The average net profits of the Company for the three immediately preceding financial years calculated as specified by the Companies Act, 2013 for financial year 2018-19 was ₹ 5,566 lakhs

**4. Prescribed CSR expenditure (2% of the amount as in item 3 above)**

The prescribed CSR expenditure for the financial year 2018-19 is ₹ 111.32 lakhs

**5. Details of CSR spent during the financial year**

(a) Total amount to be spent for the financial year

Total amount spent towards CSR during the financial year 2018-19 was ₹ 113.79 lakhs

(b) Amount unspent, if any

NIL

(c) Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR Project or activity identified	Sector in which the project is covered	Project or programs 1. Local area or other 2. Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or program wise (₹ lakhs)	Amount spent on the projects or programs Sub-heads 1. Direct expenditure on projects or programs 2. Overheads (₹ lakhs)	Cumulative expenditure upto the reporting period (₹ lakhs)	Amount spent direct or through implementing agency
1.	Health and wellness - Safe Drinking Water	Eradication of Hunger and Poverty and making available Safe Drinking Water	a) Installation of Safe Drinking Water Plants to Communities in Villages Kadium, Bhopalapatnam, Sampath Nagar and Dowleswaram in Andhra Pradesh	10.00	10.25	10.25	Direct
			b) Continue to provide water through tankers to the Communities in Katheru Village including maintenance of Safe Drinking water plants	9.00	9.50	9.50	Direct
			c) VRO plant maintenance in Venkatanagaram	2.50	2.50	2.50	Direct
2	Health and wellness - Infrastructure support	Promoting health care including preventive health care	Infrastructure support viz., building and OP Waiting area, repairs & painting of the OP Wing, other amenities viz., Dental Chair, Cold Storage for medicines, washing machine were provided to the Community Health Center at Kadium village	5.00	5.00	5.00	Direct
3	Health and wellness - Infrastructure support	Promoting health care including preventive health care	Provided an X Ray machine to 50 bedded ESI Hospital/ Rajahmundry town	9.00	9.00	9.00	Direct

Sl. No.	CSR Project or activity identified	Sector in which the project is covered	Project or programs 1. Local area or other 2. Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or program wise (₹ lakhs)	Amount spent on the projects or programs Sub-heads 1. Direct expenditure on projects or programs 2. Overheads (₹ lakhs)	Cumulative expenditure upto the reporting period (₹ lakhs)	Amount spent direct or through implementing agency
4	Education – <ul style="list-style-type: none"> <li>Scholarship</li> <li>Training</li> <li>Infrastructure</li> </ul>	Promoting Education	a) <b>Project new horizons</b> (spoken English classes for classes IX and X to the students of 12 Government Schools in Rajahmundry town; <b>IP Scholarships</b> merit based scholarships to 120 students who passed class X from Government Schools	17.50	17.50	17.50	Direct and through IP India Foundation which was set up in 2013 to undertake CSR activities
			b) Teacher training for 100 primary school teachers of Rajahmundry rural and Kadiyam Mandal	1.50	1.50	1.50	Direct
			c) School Infrastructure: Providing furniture to Girijana Vikas Kendram (Tribal Residential School), Construction of Girls Toilets in Kadiyam Upper Primary School; construction of dining shed at Kadiyam Upper Primary School	14.50	14.50	14.50	Direct
5	Community Engagement-Empowering women, rural development and contributing to approved funds	Promoting gender equality, empowering women, Etc.	a) Tailoring Centers for women in Mallayya Peta, Rajahmundry in Kadiyam Village	3.00	3.00	3.00	Direct
		Rural development projects	b) Construction of Bus Shelter at Kadiyam village	4.00	4.00	4.00	Direct
		Miscellaneous CSR expenditure	c) Other volunteer activities and CSR expenditure	1.49	3.21	3.21	Direct
		Ensuring environmental sustainability and ecological balance	d) Donation to Chief Minister's Distress Relief Fund – Kerala Floods	10.00	10.00	10.00	Direct
		Measures for the benefit of armed forces veterans, war widows and their dependents	e) Donation to CRPF Martyrs of Pulwama	10.00	10.00	10.00	Direct
6	Donation to IP India Foundation, 100% subsidiary of the Company (incorporated for the purpose of carrying on charitable activities)	Contribution to corpus of Section 8 Company.	To carry on CSR activities on behalf of the Company	13.83	13.83	13.83	Direct
<b>Total</b>				<b>111.32</b>	<b>113.79</b>	<b>113.79</b>	

(d) **In case the Company has failed to spend the 2% of the average net profits of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.**

Not Applicable

(e) **A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.**

The CSR Committee hereby confirms that the implementation and monitoring of CSR activities is in compliance with CSR objectives and the CSR Policy of the Company.



**Donald P. Devlin**  
Chairman & Managing Director



**M.S. Ramachandran**  
Chairman, CSR Committee

# ANNEXURE-2

## 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:
  - Steam Trap Functioning Improvement
  - Insulation audit conducted and provided Insulation.
  - Replacing WBL Pump1 Motor with 37kW Energy savings of 20 KW achieved by replacing 55KW motor with 37KW as per the process requirement. Project commissioned in October 2018.
  - Replacing Conventional Light fixtures of Paper machine 2,3,5, zero meters.
  - Replacing all conventional light fixtures mill wide with LED light fixtures to improve lighting levels as per standards to achieve savings of 5KW. Project under execution.
  - Entire plant Thermal Audit was done with M/S Forbes Marshall. Audit points implementation feasibility is in progress.
  - Vacuum pump overhauled in KA#1 & 2 machine and stopped extra vacuum pump. Savings of 120 kW is achieved.
  - Turbine frequency was reduced from 50 Hz to 49.6 Hz.
  - Air leak survey conducted and 85% of the leakage arrested.
  - Steam leakage survey conducted and 100% leakage arrested.
  - Grid and TG power factor improvement by installing capacitor banks throughout the mill by Aug 2019, which gives 40 kW savings.
  - Inefficient and multi rewind motor replacement is in progress. Energy saving expected is 30 kW. Project will be completed by April 2020.
- II. The steps taken by the company for utilising alternate sources of energy:

PG gas plant restarted to reduce furnace oil consumption.
- III. The capital investment on energy conservation equipments:
  - VFD for clear water pump
  - Heat exchanger for black liquor
  - Inefficient low PF slip ring TDR motor was replaced with High efficiency IE3 squirrel gauge motor in Feb 2019. Savings of 20 kW.
  - VFD provided for Fresh water pump.KA#3 No-5 vacuum pump motor was replaced with IE3 energy efficient motor. Savings of 10 kW.
  - **RJ5 Paper machine DC to AC drives replacement along with Silent Drives**

### (B) Technology absorption-

- I. Efforts made towards technology absorption:
  - **Tanks Integrity at 4F evaporator**

Tanks modification and replacements are completed and commissioned in Feb 2018.
  - **Reel TurnUp Systems for RJ-2, RJ-3, RJ-5**

Adopted Reel Turnup systems for RJ-2,3,5 paper machines for safe operation and to reduce the reel turn up time.
  - **RB4 Primary Airport Modification**

Primary Airports modification done for better primary air velocity and for better black liquor combustion in July 2018.
  - **Old PLC upgradation in RJ 1 to 5**

Replaced and commissioned obsolete operating systems, PLC, software of RJ 1 to 5 and central refiner in September 2018.

- **RJ5 Paper machine DC to AC drives replacement along with Silent Drives**

Improving machine runnability by addressing several reliability issues & constraints, DC drives replaced with AC drives. Project completed and commissioned in September 2018.

- **RJ3 COL System Modification**

Provided rotameters and continuous monitoring system for all roll bearing of RJ3 for improving reliability, all equipment installed and commissioned in September 2018.

- **Double Doctor for RJ#5 Pick up Roll**

Replaced existing single doctor to double doctor to avoid water carry over and to improve dryness of web.

- **Refiner for RJ5 paper machine**

Brushing Refiner provided for RJ5 machine for Ash percentage improvement, project installed and commissioned in September 2018.

- **Start-up burners for RLK-1 & 2**

Eliminated hand torch for light up of Startup Burners of Recovery Boiler#4, RLK-1&2 by replacing with gas based pilot burner and Oil Burners and incorporated with the BMS PLC system as per IP Orange Book guidelines.

II. Benefits derived like product improvement, cost reduction, product development or import substitution:

- Production improvement in RJ#5
- Roll change time reduced
- Improved Ash% in RJ#5
- Better Reliability at RJ#3
- Reduction in Power Consumption

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	<b>DCS Upgradation of obsolete servers</b> - Upgradation of ABB DCS by replacing Windows Server 2003 with Windows XP with Windows Server 2012 and Windows 2008 Operating Systems with latest version 800xA 6.0 advanced controllers supplied by ABB Singapore
	b.	Year of import	2016
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable
2	a.	Details of technology imported	<b>KA#3 Drives Upgradation</b> - Upgrading the existing obsolete & outdated DCV 700 Model DC drive system to new ACS 800 MODEL AC drive system on KA3 Machine by ABB, Singapore (Thru Bengaluru)
	b.	Year of import	2016
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable
3	a.	Details of technology imported	<b>LVHC System Upgradation</b> - (Foul odor control in RJY Unit) - System upgradation to effective collection of high concentrated foul gases from evaporator area and to burn in lime kilns to meet PCB norms of ambient air quality. To reduce effluent load from evaporator by reduction of methanol to 95% and H2S to 98% adopting technology from Lundberg, USA
	b.	Year of import	2016
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable



4	a.	Details of technology imported	<b>QCS for RJ#6 - Replacement of obsolete QCS system</b> in RJ#6 for improving quality measurement form M/s Honeywell, Singapore
	b.	Year of import	2016
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not Applicable
5	a.	Details of technology imported	Installation of New Reel Turn-up Systems at RJ-2, RJ-3 & RJ-5 for reducing wastages & Operator Safety. All equipment & consumables from IBS, Austria.
	b.	Year of import	2017
	c.	Has the technology been fully absorbed?	Technology has been fully absorbed.
	d.	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not Applicable
6.	a)	Details of technology imported	<b>Reel turn up system for RJ2,3&amp;5:</b> To avoid manual intervention in reel change at paper machines we have provided automatic reel change keeping man away from rotating equipment. Apart from safe operation it gives easier operation, and wrinkle free sheet transfer. Technology was imported from M/s IBS, Austria
	b)	Year of import	2018
	c)	Has the technology been fully absorbed?	Yes
	d)	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not Applicable
7.	a)	Details of technology imported	<b>Double Doctor for RJ5 pick up roll:</b> Replaced existing single doctor to double doctor to avoid water carry over and to improve dryness of web. Technology imported from M/s IBS, Austria
	b)	Year of import	2018
	c)	Has the technology been fully absorbed?	Yes
	d)	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not Applicable
8.	a)	Details of technology imported	<b>Andritz burner for RB#4, RLK1&amp;2:</b> Eliminated hand torch for light up of Startup Burners of Recovery Boiler#4, RLK-1&2 by replacing with gas based pilot burner and Oil Burners and incorporated with the BMS PLC system as per IP Orange Book guidelines. Technology imported from M/s Andritz, Finland.
	b)	Year of import	2018
	c)	Has the technology been fully absorbed?	Yes
	d)	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not Applicable

## Research and Development

Specific Area in which R&D carried out by the company	<p><b>New Product Developed</b> (Poster 50 gsm at RJ#4, Cup stock at RJ#2 and KA#2, HP Copier 70 gsm at RJ#6 and surface coated reflection 100 gsm at RJ#6, Star white 50 gsm at KA#1, Maplitho RS with DIP at KA#3, Skytone and high bright Star white at KA#3)</p> <p><b>Product Quality Improvement</b> (CD profile for gsm and caliper at RJ#2, Roughness reduction at RJ#2, Abrasion reduction in Blade Wrapper, Static charge reduction in RJ#5, Dye spot defect reduction at RJ#6, Dye spot defect reduction at KA1&amp;2)</p> <p><b>Process optimization</b> (Wood Chips size optimization, Do pH optimization, Central Refiner Control Strategy, uniform furnish mix in KA#3, Uniform consistency at KA#2, Reduction in GSM variation at KA#2, filter oil from contamination of debris and moisture)</p> <p><b>Plant Trial for Cost Reduction</b> (Anionic retention aid at RJ#3&amp;5 and KA#3, Oxidizing Biocide and deposit control on RJ#3, Pigment Dyes at RJ#6, Drainage aid at Ecell, DSR with regular maize starch in place of imported cationic starch, Onsite modification of native starch into cationic starch, Oxy bleach booster, Peroxy Bleach, Descaling Chemical at paper machines, Sizing Chemical at KA#1,2&amp;3)</p>
Benefits arrived as a result of R&D	<ul style="list-style-type: none"> <li>- New products developed as per market demand.</li> <li>- Modification of products for Customer satisfaction.</li> <li>- Plant Efficiency and uptime increased</li> <li>- Identification of additives for quality Improvement and cost reduction.</li> </ul>
Future Plan of Action	<p><b>Product Development</b> ( 65 GSM in Copier, High Bulk Qualities, Sublimation Paper etc.)</p> <p><b>Quality Improvement</b> (Bulk Improvement, Caliper Variation Reduction, GSM CD profile variation reduction, roughness reduction and Reel Build up)</p> <p><b>Process Optimization</b> (ClO<sub>2</sub>, H<sub>2</sub>O<sub>2</sub> and NaOH optimization, Green Liquor Dregs Sludge Dryness improvement, GCC to PCC replacement, Refiner bar pattern and design modification to Reduction SEL, Size press surface filling for ash improvement, Reduction in Piping and hard band by Stretched wrapping)</p> <p><b>Plant Trial for Cost Reduction</b> (ClO<sub>2</sub> Booster trial to reduce ClO<sub>2</sub> Consumption, Bulk Improvement Chemical Trial, Sodium Per carbonate in place of H<sub>2</sub>O<sub>2</sub>)</p>

### (C) Expenditure incurred on Research and Development:

(₹ in lakhs)

a.	Capital	-
b.	Recurring	38.10
c.	Total	38.10

### (D) Foreign exchange earnings and Outgo

(₹ in lakhs)

Foreign Exchange earned in terms of actual inflows	21,634.80
Foreign Exchange outgo in terms of actual outflows	3,413.38

# ANNEXURE-3

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2019

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To  
The Members,  
**INTERNATIONAL PAPER APPM 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 accordance with the guidance note issued by the Institute of Company Secretaries of India and 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, 2019, 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, 2019, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations,

2009 - (Not applicable to the Company during the period of audit);

- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 - (Not applicable to the Company during the period of audit);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - (Not applicable to the Company during the period of audit);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - (Not applicable to the Company during the period of audit);
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - (Not applicable to the Company during the period of audit); and
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (vi) Other laws **specifically** applicable to the Company include:
- A. Indian Boilers Act, 1923
  - B. The Environment (Protection) Act, 1986 and allied Environment Laws
  - C. Contract Labour Act, 1971 and A.P Contract Labour Rules

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited;

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

## We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the

composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

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

We further report that *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.*

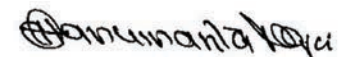
**We further report that** *Company had filed a Scheme of Arrangement before the Hon'ble High Court of Andhra Pradesh and Telangana to reclassify and transfer the amount of ₹ 288.76 Crores lying to the credit of 'General Reserves' to 'Profit and Loss Account' of the Company under the terms of the Scheme. After constitution of Hon'ble National Company Law Tribunal this matter has been transferred to Hon'ble National Company Law Tribunal, Hyderabad Bench at Hyderabad. After consideration of the scheme Hon'ble National Company Law Tribunal has vide its order dated 16.11.2018 granted approval to the said scheme of arrangement as proposed by the company.*

We further report that *the Company received notices from BSE Limited and National Stock Exchange of India Limited in*

*November, 2018, levying fine for non-compliance of Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) in respect of composition of Audit Committee in the Corporate Governance Report submitted for the quarter ended September 30, 2018. The Company replied to the above stock exchanges stating that the Company constituted the Audit Committee as per LODR Regulations and hence fully complied with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as this Regulation does not specify that any fraction of a number while computing the composition need to be rounded off to as one. Based on the above grounds the Company also filed a writ petition vide No. 44910 of 2018 before Hon'ble High Court of Judicature at Hyderabad for the States of Telangana and Andhra Pradesh (Court) and the Hon. Court passed an Order dated December 11, 2018 in IA No. 1 of 2018 in W.P. No. 44910 of 2018 directing the Stock Exchanges not to take any coercive steps against the Company. Further, as a measure of Good Corporate Governance, the Audit Committee of the Company has been voluntarily reconstituted by the company with effect from January 30, 2019, comprising of three independent Directors and one Non-Executive Director.*

**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**

**Place: Hyderabad  
Date: April 30, 2019**

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.

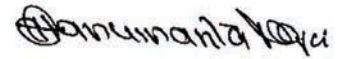
**'Annexure A'**

To  
The Members,  
**INTERNATIONAL PAPER APPM 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 Records 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**

**Place: Hyderabad  
Date: April 30, 2019**

# ANNEXURE-4

## Form AOC- I

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

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

#### Part "A": Subsidiaries

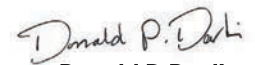
(Information in respect of each subsidiary to be presented with amounts in Rupees)

Name of the subsidiary	IP India Foundation
Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Not Applicable
Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries.	Not Applicable
Share capital	₹ 500,000
Reserves & surplus	₹ 46,15,489
Total assets	₹ 52,21,989
Total Liabilities	₹ 52,21,989
Investments	₹ 15,75,000
Turnover	₹ 43,21,909
Excess of income over expenditure before taxation	₹ 20,74,603
Provision for taxation	₹ NIL
Excess of income over expenditure before taxation	₹ 20,74,603
Proposed Dividend	Not applicable
% of shareholding	100

There is no other subsidiary company except IP India Foundation.

For and on behalf of the Board

Hyderabad  
June 30, 2019



**Donald P. Devlin**  
Chairman & Managing Director

# MANAGEMENT DISCUSSION & ANALYSIS

## Forward looking statements

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

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

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

## OPERATING ENVIRONMENT

*Indian Economy, Global Paper Industry & Indian Paper Industry*

### Indian Economy

Indian economy grew at 6.8 per cent in 2018-19. This is the lowest growth outturn in five years. The slowdown over the past year has been driven by steadily cooling activity in the manufacturing sector and, to a lesser extent, agriculture. Weaker momentum has been mainly domestically driven. While lead indicators suggests that the growth will remain subdued in the near term, monetary and regulatory easing from the RBI, along with a recovery in portfolio inflows, should support a recovery in credit to the private sector and reverse the drag from the negative credit impulse.

The demand drivers for paper comes from a combination of factors, mostly GDP driven, such as emerging middle class (increased spending on books, magazines and commercial papers), access to education, digital drive (Broadband and smartphones penetration) leading to higher use of computers and printers and online shopping (e-commerce).

### Global Paper Industry

Globally over 400 million MTs of paper and paper products are consumed. The world's three largest paper producing countries are China, the United States, and Japan (these three countries account for approximately half of the world's total paper production), while India accounts for a small but growing share of the global market. The global paper and pulp industry has contracted slightly over the past five years, primarily due to disrupting technology, and shift in customer demand. However, the decline in growth in developed markets are expected to be offset by the demand growth in India, Middle East, Africa and Asia.

## Indian Paper Industry

The domestic demand of paper and packing is ~14 million MTs, which accounts for ~4% of the world's consumption. The paper industry is classified into four segments viz., Packaging, Paper and Boards, Printing and Writing, News print and speciality papers. The Printing and Writing segment is ~4.5 metric tonnes (30% of industry size) and is growing at a healthy rate of ~4%. The Indian paper industry is highly fragmented with ~750 paper mills, of which top 10 producers account for 48% of capacity.

## Outlook

The Indian economy is growing at a faster rate than other economies and GDP growth in India, in long term, is expected to exceed other Asian and Western European economies. The per capita consumption of paper in India is ~10 Kg as against a global average of ~56 kg. The emerging middle class will also drive paper consumption as the middle class spending increases. Books and magazines will become more accessible to people; increase in retail activity will further stimulate advertising.

The demand for paper is largely driven by:

- **Education:** Efforts to improve the primary and higher education is driving the students enrolment and continuance of education.
- **Offices:** Printing paper usage for legal and formal documents, sticky work habits favouring paper.
- **E-commerce:** Internet penetration is creating new business models and demand for industrial packaging, consumer packaging and printing & writing paper.
- **Economic activity:** The increase in economic activity is expected to open up more avenues (Manufacturing sector, Office space) for paper demand.
- **Demographics and economy:** Increased literacy rate, telecom penetration and emerging middle class increased spending on books, magazines, online shopping, fast food consumption, pro- environment choices (plastic ban)
- **Consumerism:** Higher disposable income coupled with urbanisation is expected to drive new and different consumer behaviours and drive demand for paper products.

As per the industry estimates, Printing and Writing segment demand is expected to grow at a CAGR of ~4% and packaging at a CAGR of 5-6%.

As the Indian economy further develops, end-uses are foreseen to move towards the structures of Europe and North America. The paper consumption habits are gradually expected to change in India in the longer term, with gradually strengthening impact of substitution levers, and digitalization being the main countertrend softening the demand growth.

## Major Industry Challenges

### Access to quality and cost competitive raw material

India is a wood-fibre deficient country as the Government of India does not permit industrial plantations in the country.

Inadequate raw material availability domestically is a major constraint for the paper industry. Additionally, the recovery rate of wastepaper in India is quite low (~30%) due to lack of an effective collection mechanism. With issues like availability of quality raw material at competitive prices, many players depend on the imports of pulp, wastepaper and even pulpwood to meet their raw material needs and often have to pay premium for availing them thereby impacting profitability and capacity addition.

IP APPM has implemented a farm-forestry strategy that collaborates with private nurseries and research organisations, develops free saplings in partnership with farmers to sustain 100% consistent supply of Company's fiber needs with a long term vision to bring down haulage radius from present up to 300 Km to within 150 km from mills in the state of Andhra Pradesh. Our Farm forestry program has led to the plantation of 2.5 million high yielding Casuarina clones, along with 32 million Casuarina seedlings within 150 km radius of the mill. This covered 3,834 hectares of plantation and generated 1.92 million man-days of employment for farmers. The Company's strategy to reduce distance of fiber procurement area has helped in stabilizing the price of virgin fiber during 2018-19.

### **Imports of paper and paperboard**

Imports of paper and paperboard from ASEAN countries (Import duty at 0%) pose a challenge to India paper industry. The Indian government implemented an anti-dumping duty on uncoated freesheet copy paper to prevent dumping of low priced imports to the Indian market. The anti-dumping duty has helped to ensure a competitive price for copy paper imports thus normalizing the supply demand balance. The action by the government and diversion of surplus capacity (ASEAN paper manufacturers) to meet Chinese demand led to moderation of imports into India for the financial year 2018-19.

### **ABOUT IP APPM**

*About IP APPM, Strategy, competitive strengths, products and manufacturing.*

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. The Andhra Pradesh Paper Mills Limited was established in the year 1964. In 2011, the Andhra Pradesh Paper Mills Limited was acquired by International Paper (IP), a USD 23 billion American packaging, 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 packaging, pulp and paper company in the world, with approximately 53,000 employees operating in 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.

On May 29, 2019, the promoters of the Company namely International Paper Investments (Luxembourg) S.A.R.L and IP International Holdings Inc. holding 2,18,56,033 equity shares of ₹ 10 each and 79,71,496 equity shares of ₹ 10 each respectively, comprising 75% of the issued and paid up

capital of the Company on a fully diluted basis, have executed a Share Purchase Agreement ("SPA") with West Coast Paper Mills Limited (Purchaser) to sell such number of equity shares of the Company aggregating to a minimum of 51% and up to a maximum of 60% of the issued and paid up capital of the Company as per the terms and conditions stated in the SPA.

The aforesaid transaction is subject to receipt of requisite regulatory approval(s), as applicable.

IP APPM is focused on serving customers with high quality printing and writing papers.

IP APPM is also 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 benchmarks to remain ahead of 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.

### **Products**

The Company produces writing, printing and cut-size papers for foreign and domestic markets and offers a wide range of high quality specialty grade products for a diverse range of applications. These products are designed to provide outstanding performance, functional excellence and exceptional finish quality.

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

### **Manufacturing**

Our Rajahmundry Mill is an integrated wood based paper mill with a rated capacity to produce 177,000 MT of finished paper and 191,000 MT of bleached pulp annually. The unit manufactures uncoated writing and printing paper - mainly cut-sizes, industrial grade papers and posters using Casuarina, Eucalyptus and Subabul as main sources of pulp wood.

Our Kadiyam Mill has a rated capacity to produce 71,000 MT per annum of finished paper such as cream wove, azurelaid, colored cut-sizes and industrial grade papers using recycled fiber and purchased pulp as base raw materials.

The Company holds ISO 14001, ISO 9001 and OHSAS 18001 certifications as well as the Forest Stewardship Council (FSC) Chain Of Custody (COC) certification. The company has embarked on a journey to upgrade from OHSAS 18001



system to ISO 45001, for which certification process is underway.

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 in environment friendly technologies that facilitate increasing the overall quality of products and demonstrating productivity gains. In addition, IP APPM has invested in technology to reduce water consumption, energy consumption and control air emissions.

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

## REVIEW OF OPERATIONS

The Company's operations strategies are aimed at enhancing the overall performance. During the year the Company further scaled up its customer support processes and systems to add excellence in delivery. This helped serve the customer better, improve customer satisfaction and retain and attract more customers.

During the year, the company recorded the highest ever sales volume which grew by 3.4% to 238,729 MT, as compared to 230,894 MT in 2017-18. Of the revenues, 16% were from exports (previous year 19%) with domestic sales accounting for the balance 84%.

IP APPM also recorded highest ever production of 238,724 MT of paper in the year ended March 2019 as against 228,900 MT in 2017-18. Capacity utilization remained above 99 % during the year.

We started our Manufacturing Excellence (ME) initiatives in the year 2013. Our continued and consistent efforts in implementing and executing the programme helped in improving pulp productivity and overall paper machine efficiency (OME). The Company also made significant gains in fiber, energy and chemical costs. 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. Overall, the Manufacturing Excellence initiatives helped improve the mill reliability, increase the productivity, reduce the overall cost and improve profitability.

While focussing on improving the reliability, our initiatives in production planning and scheduling helped secure continuous runs and lower down time. This helped improving our On – Time – In – Full (OTIF) performance above 92% and delight our customers.

## FINANCIAL PERFORMANCE

In FY19, the Company recorded highest ever revenue and profits. Revenue from operations improved by 12% while EBITDA registered an increase of 71%. These results were driven by higher sales volume, higher selling prices, record production levels, improved efficiency and lower manufacturing cost. Profit after tax improved by 140%

supported by 67% lower finance cost.

The Company generated 37% higher cash from operations at ₹ 294 crore in the year under review as compared to ₹ 215 crore in 2017-18. The company is debt free and ended the year with cash surplus of ₹ 86 crores. The surplus cash is invested in fixed deposits and inter corporate deposits. The net profit for the year was ₹ 200 crore as compared to ₹ 83 crore reported in the previous year.

## Financial Ratios

S.No	Ratio	March 31, 2019	March 31, 2018
1	Debtors Turnover Ratio in days (Net sales/Average Receivables)	20.00	19.00
2	Inventory Turnover Ratio in days (Sales/Inventory)	9.00	8.00
3	Interest Coverage Ratio (EBIT/Interest Expenses)	40.61	5.99
4	Current Ratio (Current asset/Current Liabilities)	1.52	0.80
5	Debt Equity Ratio (Debt /Equity)	0.02	0.37
6	Operating Profit Margin % (Operating profit/Sales)	22.41	11.92
7	Net Profit Margin % (PAT/ Sales)	14.02	6.49
8	Return on Net Worth % (Net Earnings/Networth)	26.19	14.73

The Company has maintained a healthy capital structure as is evident from its debt to equity ratio. Improved business, optimisation of operating costs and lower finance costs resulted in improved net margins and consequently improved return on net worth.

## Internal Financial Controls

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

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

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

on the Company's operations. The Company performed an evaluation and made an assessment of the adequacy and effectiveness of the Company's internal financial controls as at March 31, 2019. Based on this assessment, the management believes that, as of March 31, 2019, the Company's internal controls over financial reporting was effective and our Statutory Auditors have expressed an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting in page no. 53 of this annual report.

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

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

The Board of Directors, assisted by the Audit Committee, monitors the integrity of the Company's financial statements and financial reporting procedures, the performance of the Company's internal audit function and independent auditors, and other matters set forth in Audit Committee charter. The Committee, which consists of independent directors, meets regularly with representatives of management, and with the independent auditors and the Internal Auditor, with and without management representatives in attendance, to review their activities.

The Committee has reviewed and discussed the financial statements for the year ended March 31, 2019, including critical accounting policies and significant management judgments, with management and the independent auditors.

## **INFORMATION TECHNOLOGY (IT)**

The Company continued its focus on enabling business processes and systems through strategic adoption of IT. These covered all the operating areas including manufacturing, sales and marketing, human resources and forestry. Select staff were trained on new data analytics and data automation tools to enhance productivity, reduce manual work and increase accuracy. The focus areas include Finance, Sales, Marketing, Forestry and Manufacturing. New process automation in our Farm forestry operation has enhanced our capability to track saplings from production to delivery. Further process automation within our environmental management operation has reduced manual work and improved our data management and our ability to ensure that we operate in compliance to the Regulations. We have provided new analysis and report tools for our commercial team to better understand key market and customer trends, thus leading to better decisions. The

Company is also focusing on innovation within IT to further reduce the costs and introduce new tools.

## **OUR PEOPLE**

We strongly believe people are the foundation of our Company, so investing to develop capabilities is important to achieve our goals. The IP Leadership Model of 3 C's – Character, Capability and Catalyst – have become a natural part of our leadership language and are well integrated into our people development tools and systems. We have robust talent management processes that include individual performance & development plans, organization assessments and succession planning for leadership positions. We use a balance of approaches to develop our teams including engagement plans, training & skill development, career planning and health & wellness programs to build a strong organization and strong individuals.

With safety as a top priority, we make extensive investments in training and skill development to raise awareness of risks and certify knowledge for procedures and conditions. Our Manufacturing Excellence (ME) program trains and certifies expertise in techniques using 6-sigma, Lean, RCFA and process improvement. We have ~94 certified green and black belts who take on improvement projects to make our operations better, while another ~50 trained yellow belts inculcate lean culture into everyday practices. To encourage health and well-being of our workforce, we provided free annual health check-up facility for all employees during the year. Leveraging IP's Global Leadership Institute's resources and training methodology, we provided leadership and management development trainings during the year. This included behavioural programs aimed at skill enhancement, and leadership programs specifically designed for front-line leaders, so they learn how to engage and lead our employees to perform to their fullest potential. We invited our top 70 leaders to an annual leadership conference to challenge their thinking, broaden their knowledge on key industry and technology updates and seek alignment on our goals and expectations. We utilize International Paper's global training platform to develop leaders with their international colleagues across various disciplines including strategy, commercial excellence and best practice sharing.

We advocate diversity and inclusion including diversity of experience, background, gender and race. People with diversity of background and experience bring new ideas, challenge the old norms and better prepare us to compete and serve our diverse customers and markets.

IP APPM has ~1,900 employees and ~3,200 contract workers.

## **IP APPM OUTLOOK**

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

In order to create a vibrant organization that works for sustainable growth, considerable up-gradation has been done to the systems and processes to enhance safety, productivity, performance and accountability; significant investment has

been made in people development, operational excellence, customer contact and sustainable solutions; increased employee engagement; considerable work done to become a low cost producer; improved manufacturing reliability levels; and overall created a winning organization. All of these are being put together to make IP APPM an increasingly better and a more competitive Company.

Our Company's priority is to delight our customers with high quality products and best in-industry service. To do this, we will ensure the highest standards of people, safety, ethics, talent development, sustainability of forests, increased volume and revenue, higher productivity, become cost competitive and enhance profitability.

## RISK & RISK MITIGATION

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:

Risk	Risk Definition	Risk Impact (Low, Medium, High)	Risk Mitigation
Safety	Occupational illness and accidents may result in fatal injury including loss of life of our employees, workmen or contractors, apart from direct and indirect loss of production and property	Medium/High	Continuous efforts are being made to comply IP global EHSS standard with Safety Leading indicator and appropriate training with assessment.
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.	High	The Company has implemented a Farm Forestry program through partnership with farmers, Research institutions and vendors. The company pro-actively build special bond with farmers in our vicinity of 150 km through large scale plantation and ensuring remunerative prices for the harvest. To develop sustained fiber supply within catchment of 150 km radius, company also partnered with private nursery growers for capacity building for production and distribution of clones. Company also continued to partner with Institute of Forest Genetic & Tree Breeding, Coimbatore (IFGTB) to ensure the broadest approach to sharing best practices, gaining knowledge and performing R&D for enhancing productivity.
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.	High /Medium	<ul style="list-style-type: none"> <li>- Strong management and leadership capabilities in forecasting</li> <li>- Strong focus on market penetration, sales training and product innovations</li> </ul>

Cyclicality of Industry	Cyclical demand for paper could have an adverse impact on sales. The reduction in sale prices will affect IP APPM's operations. The cyclicality of the business could depress margins or growth.	Medium	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, and threat from imports	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.  Pressure of imports expected to grow moderately, inspite of lower sales price realisations in India compared to other export destinations.	High	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	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.	Low	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	Failure to keep pace with production technology can lower the competitive edge indigenously and globally.	High/medium	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.	Medium/High	IP APPM has minimized its risk by investing in a recovery boiler, a coal-fired boiler and a 34 MW 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 in the recovery 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 part of the year. This could have a potential impact on the export earnings of the Company.	Low	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 unfavourable impact of exchange fluctuations as soon as the impact is determined. Prudential accounting norms are followed in line with the Accounting Standards.

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	High	<p>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.</p> <p>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.</p> <p>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.</p>
Human Resources	<p>Failure to attract, retain or develop talent in a competitive market or in managing cordial industrial relations may impact our long term growth.</p> <p>Failure to keep focus on safety, compliance, and Engagement which can lead to poor performance. Talent retention is another risk associated with human resources as other competitor may opt to recruit our capable employees.</p>	Medium	<p>IP APPM constantly maintains a strong focus on improving employee engagement and employee experience – through robust safety culture, multiple training and skill enhancement avenues, regular employee engagement and fostering a culture of empowerment and inclusion.</p> <p>IP APPM has minimized this risk by focusing on training and engagement programme.</p> <p>We have been conducting training in various areas like Manufacturing Excellence, Leadership trainings, Mill technical trainings (Mechanical Precision Measurement, Instrumentation &amp; Electrical Precision Measurement) . These helped us to improve capability of people to work efficiently and to improve engagement.</p>

# 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, 2019, the Company had 9 Directors with one Chairman & Managing Director. Of the other 8 Directors, 5 were Independent Non-Executive Directors, 3 were Non-Independent Non-Executive Directors.

### 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 director-ships <sup>1</sup>	Committee <sup>2</sup>	
		No. of Board Meetings	Last AGM		Member-ships	Chairperson-ships
Mr. Donald P. Devlin (Chairman & Managing Director)	Executive Director	4	Yes	-	-	-
Mr. W. Michael Amick Jr.	Non-Independent Non-Executive Director	4	Yes	-	-	-
Mr. Russell V. Harris		2	Yes	-	-	-
Ms Megan A. F. Bula	Non-Executive Director	4	Yes	-	-	-
Mr. M. S. Ramachandran	Independent Non-Executive Director	4	Yes	5	1	1
Ms Ranjana Kumar <sup>3</sup>	Non-Executive Director	3	No	4	1	-
Mr. Adhiraj Sarin		4	Yes	1	-	-
Mr. Milind Sarwate		4	Yes	7	3	5
Mr. Praveen P. Kadle		4	Yes	2	1	-

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

<sup>2</sup> Membership/Chairpersonship of only the Audit Committee and Stakeholders Relationship Committee have been considered.

<sup>3</sup> Ceased to be a Director from the close of business hours of 31.03.2019 as she was not interested to continue as Director after expiry of present term.

Details of Other Directorships held in listed companies and the category of directorship:

Sl. No.	Name of Director	Name of listed company	Category of Directorship
1	Mr. Donal P. Devlin	-	-
2	Mr. W. Michael Amick Jr.	-	-
3	Mr. Russell V. Harris	-	-
4	Ms Megan A. F. Bula	-	-
5	Mr. M. S. Ramachandran	Supreme Petrochem Limited	Non-Executive Independent Director
		G O C L Corporation Limited	
		Ester Industries Limited	
		Gulf Oil Lubricants India Limited	
		ICICI Prudential Life Insurance Company Ltd	Non-Executive Independent Director Chairman

Sl. No.	Name of Director	Name of listed company	Category of Directorship
6	Ms Ranjana Kumar	Tata Global Beverages Limited	Non-Executive Independent Director
		Britania Industries Limited	
		Rane Brake Lining Limited	
7	Mr. Adhiraj Sarin	Tinna Trade Limited	Non-Executive Independent Director
8	Mr. Milind Sarwate	Glenmark Pharmaceuticals Limited	Non-Executive Independent Director
		Mindtree Limited	
		Matrimony.com Limited	
9	Mr. Praveen P. Kadle	-	-

**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 May 2, 2018; August 2, 2018; October 24, 2018 and January 30, 2019.

- d. The Directors are unrelated to each other except as members of the Board.
- e. None of the Non-Executive Directors and Independent Directors hold equity shares and convertible instruments of the Company.
- f. The details of Familiarization Programme are placed on the Company's website viz., [www.ipappm.com](http://www.ipappm.com).
- g. A chart or a Matrix for skills/attributes identified by the Board of Directors as required in the context of business/sectors to function effectively is given in Appendix - 1
- h. In the opinion of the Board, the independent directors fulfil the conditions specified in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent of the management.

**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. Reviewing with the management of the annual 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;
  - Modified opinion(s) in the draft audit report;
- v. Reviewing with the management the quarterly financial statements before submission to the Board for approval.
- vi. Review the functioning of the whistle blower mechanism;
- vii. Evaluation of internal financial controls and risk management systems.

**b. Composition of Audit Committee**

As at April 1, 2018, the Audit Committee comprised of five Members viz. Mr. Praveen P. Kadle as Chairman, Mr. Milind Sarwate, Mr. Adhiraj Sarin, Mr. W. Michael Amick Jr. and Mr. Donald P. Devlin as Members.

The Board at its meeting held on January 30, 2019 reconstituted the Audit Committee and the Composition of Audit Committee as on March 31, 2019 is as follows:

Name	Category	Designation
Mr. Praveen P. Kadle	Independent Non-Executive Director	Chairperson
Mr. Milind Sarwate	Independent Non-Executive Director	Member
Mr. Adhiraj Sarin	Independent Non-Executive Director	Member
Mr. W. Michael Amick Jr.	Non-Independent Non-Executive Director	Member

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

**c. Meetings and attendance during the year**

During the financial year, four meetings of Audit Committee were held on May 2, 2018; August 1, 2018; October 24, 2018 and January 30, 2019 and all the Members attended these meetings.

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**

- Formulating criteria for determining the qualifications, positive attributes and independence of a director;
- Identifying the persons who are qualified to become Executive Directors, Non-Executive Directors and Independent Directors and to recommend to the Board their appointment and removal;
- Identifying persons who may be appointed in Senior Management and to recommend to Board their appointment and removal;
- Devise a policy on Board diversity;
- Succession Planning;
- Recommend to the board, all remuneration, in whatever form, payable to senior management.

**Composition of Nomination and Remuneration Committee**

There is no change in the composition of the Committee membership during the year and the composition of the Committee as on March 31, 2019 is as follows:

Name	Category	Designation
Mr. Adhiraj Sarin	Independent Non- Executive Director	Chairperson
Mr. M.S. Ramachandran	Independent Non- Executive Director	Member
Mr. W. Michael Amick Jr.	Non-Independent Non-Executive Director	Member
Mr. Donald P. Devlin	Executive Director	Member

**b. Meetings and attendance during the year**

During the financial year, two meetings of Nomination and Remuneration Committee were held on October 25, 2018 and January 30, 2019. All the Members attended both the meetings.

**c. Performance evaluation criteria for independent directors**

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



## 5. Remuneration of Directors

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

The details of sitting fees and commission (relating to financial year 2017-18) paid to the Independent Directors during the financial year ended March 31, 2019 were as follows:

(₹ in lakhs)

Name	Sitting Fees	Commission*	Total
Mr. M.S. Ramachandran	7.00	11.88	18.88
Ms Ranjana Kumar	5.25	11.88	17.13
Mr. Adhiraj Sarin	8.50	11.88	20.38
Mr. Milind Sarwate	7.00	11.89	18.89
Mr. Praveen P. Kadle	7.00	11.89	18.89
<b>TOTAL</b>	<b>34.75</b>	<b>59.42</b>	<b>94.17</b>

\* Excluding applicable taxes

### b. Criteria of making payments to Non-Executive Directors

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

The Shareholders at the 51<sup>st</sup> Annual General Meeting held on August 27, 2015 approved to pay, for a period of five years, commission to Independent Directors at a rate not exceeding one percent of net profits of the Company calculated as per Section 198 of the Companies Act, 2013, as may be decided by the Board from time to time.

### c. Disclosure with respect to remuneration

Independent Directors were paid only sitting fees and commission on profits (relating to financial year 2017-18) during the financial year 2018-19.

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

As at April 1, 2018 Stakeholders Relationship Committee comprised of two members viz. Ms Ranjana Kumar as Chairperson and Mr. Donald P. Devlin as Member.

During the year, the Board at its meeting held on January 30, 2019 reconstituted the Committee by appointing Ms Megan A.F. Bula as Member on Stakeholders Relationship Committee with effect from January 30, 2019 in compliance with SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018.

The composition of Stakeholders Relationship Committee as on March 31, 2019 is as follows:

Name	Category	Designation
Ms Ranjana Kumar	Independent Non- Executive Director	Chairperson
Mr. Donald P. Devlin	Executive Director	Member
Ms Megan A.F. Bula	Non-Independent Non-Executive Director	Member

Consequent to cessation of Ms Ranjana Kumar as Director with effect from March 31, 2019, she concurrently ceased to be a Member of Stakeholders Relationship Committee. The vacancy was filled up by appointing Mr. Praveen P. Kadle, Independent Director as Chairperson.

During the financial year, the Stakeholders Relationship Committee met on January 31, 2019. All the three Members attended the meeting.

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

The details of the status of complaints received from the shareholders during the financial year ended March 31, 2019 are furnished below:

No. of shareholders' complaints received during the financial year	4
No. of complaints solved to the satisfaction of shareholder	4
No. of complaints not solved to the satisfaction of shareholder	-
No. of pending complaints as on March 31, 2019	-

## 7. General Body Meetings

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

Year ended	Date and time	Venue
March, 2016	July 27, 2016 at 12.00 Noon	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry –533 103
March, 2017	July 25, 2017 at 12.00 Noon	Cherukuri Subbarao Gannemma Udyana Kalyanavedika, Jawaharlal Nehru Road, Rajahmundry –533 103
March, 2018	August 2, 2018 at 12.30 P.M.	Cherukuri Veerraju Subbalakshmi Convention Center, Jawaharlal Nehru Road, Rajahmundry -533 103

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

Date	Description of Special Resolutions passed
July 27, 2016	NIL
July 25, 2017	1. Reappointment of Mr. Rampraveen Swaminathan as Chairman & Managing Director for the period from March 1, 2017 to April 27, 2017. 2. Appointment of Mr. Donald P. Devlin as a Director with effect from February 22, 2017 and Chairman & Managing Director with effect from April 28, 2017
August 2, 2018	NIL

- c. No special resolution was passed through postal ballot during the financial year ended March 31, 2019. However, all Resolutions were passed through E-voting and poll at the 54<sup>th</sup> Annual General Meeting of the Company held on August 2, 2018.
- 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](http://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
55 <sup>th</sup> Annual General Meeting	August 1, 2019 at 12.30 P.M.	Cherukuri Veerraju Subbalakshmi Convention Centre, Jawaharlal Nehru Road, Rajahmundry – 533 103, East Godavari District, Andhra Pradesh, India

### b. Financial calendar – (Tentative and subject to change)

Financial year: April 1, 2019 to March 31, 2020

Particulars	Period ended	On or before
Unaudited Financial Results for the quarter ending	June 30, 2019	August 14, 2019
Unaudited Financial Results for the quarter ending	September 30, 2019	November 14, 2019
Unaudited Financial Results for the quarter ending	December 31, 2019	February 14, 2020
Audited Financial Results for the year ending	March 31, 2020	May 30, 2020
Annual General Meeting for the year ending	March 31, 2020	September 30, 2020

### c. Listing on stock exchanges

BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	National Stock Exchange of India Limited (NSE) "Exchange Plaza" Bandra-Kurla Complex Bandra (East), Mumbai – 400 051
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The Company paid the Annual Listing fees for the financial year 2019-20 to BSE and NSE.

**d. Stock Code**

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

**e&f. 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
2018	April	334.00	294.15	35,213.30	32,972.56
	May	360.70	310.00	35,993.53	34,302.89
	June	335.00	302.20	35,877.41	34,784.68
	July	354.20	304.10	37,644.59	35,106.57
	August	502.70	349.60	38,989.65	37,128.99
	September	591.15	434.00	38,934.35	35,985.63
	October	506.90	395.05	36,616.64	33,291.58
	November	555.00	445.75	36,389.22	34,303.38
2019	December	497.50	418.40	36,554.99	34,426.29
	January	486.50	399.60	36,701.03	35,375.51
	February	482.00	426.15	37,172.18	35,287.16
	March	503.55	435.40	38,748.54	35,926.94

**b. NSE**

Month		Share Price ₹		NIFTY 50	
		High	Low	High	Low
2018	April	334.80	293.00	10,759.00	10,111.30
	May	360.00	310.00	10,929.20	10,417.80
	June	337.10	302.40	10,893.25	10,550.90
	July	353.20	302.75	11,366.00	10,604.65
	August	502.50	349.20	11,760.20	11,234.95
	September	591.00	433.45	11,751.80	10,850.30
	October	508.55	396.00	11,035.65	10,004.55
	November	554.60	444.15	10,922.45	10,341.90
2019	December	484.85	414.55	10,985.15	10,333.85
	January	487.00	399.20	10,987.45	10,583.65
	February	482.40	412.80	11,118.10	10,585.65
	March	504.70	435.05	11,630.35	10,817.00

**g.** The securities of the Company have not been suspended from trading during the financial year ended March 31, 2019.

#### h. Registrar and Share Transfer Agent

Karvy Fintech Private Limited  
(Formerly known as Karvy Computershare Private Limited)  
Corporate Registry  
Karvy Selenium, Tower- B, Plot No 31 & 32, Gachibowli,  
Financial District, Nanakramguda, Serilingampally Mandal  
Hyderabad – 500 032  
Toll Free No. (India) 1800 3454 001  
Phone : +91 40 6716 1606/1770  
Fax : +91 40 2342 0814  
Email : einward.ris@karvy.com  
Contact Person: Mr. Praveen Chaturvedi – General Manager

#### i. Share Transfer System

The share transfers/transmission/deletion of name etc., in physical mode are being approved by the authorized person as per the delegation of powers by the Board in every 10 days. The average time taken for registering the share transfers is approximately 10 days from the date of receipt of valid request.

#### j. Distribution of Equity Shareholding as on March 31, 2019

Nominal Value of Equity shares ₹	Shareholders		Value	
	Number	%	₹	%
1 - 5000	15,393	88.11	1,61,64,840	4.07
5001 - 10000	1,007	5.76	78,08,370	1.96
10001 - 20000	519	2.97	75,67,880	1.90
20001 - 30000	175	1.00	44,59,660	1.12
30001 - 40000	88	0.50	31,09,130	0.78
40001 - 50000	69	0.40	32,53,840	0.82
50001 - 100000	125	0.72	91,08,980	2.29
100001 and above	94	0.54	34,62,27,690	87.06
TOTAL	17,470	100.00	39,77,00,390	100.00

#### Category of equity shareholders as on March 31, 2019

Category	No. of shares held	%
A. Foreign Promoter	2,98,27,529	75.00
B. Public shareholdings		
1. Institutional Investors		
a. Mutual funds, Foreign Portfolio Investors, Financial Institutions/ Banks, insurance companies	18,29,466	4.60
b. Foreign Banks	150	0.00
Sub-total	18,29,616	4.60
2. Non-Institutions		
a. Indian public	62,05,381	15.60
b. NBFC registered with RBI	15,200	0.04
c. Bodies corporate	14,69,619	3.70
d. Non-Resident Indians	2,54,067	0.64
e. Clearing members	41,542	0.10
f. Trusts	17,981	0.05
g. IEPF	1,09,078	0.27
h. Unclaimed Suspense Account	26	0.00
Sub-total	81,12,894	20.40
Total public shareholding (1+2)	99,42,510	25.00
<b>Total (A+B)</b>	<b>3,97,70,039</b>	<b>100.00</b>

#### k. Dematerialization of shares as on March 31, 2019

Depository name	No. of shares dematerialized	Percentage on equity share capital
National Securities Depository Limited	3,73,12,973	93.82
Central Depository Services (India) Limited	22,56,504	5.68
Total dematerialized shares	3,95,69,477	99.50

- I. No GDRs, ADRs/warrants/convertible instruments have been issued by the Company during the year.
- m. **Commodity price risk or foreign exchange risk and hedging activities:** Furnished under the head 'Management of Risks' in page no. 37.
- n. **Plant Locations**

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

o. **Address for Correspondence from shareholders**

Karvy Fintech Private Limited Karvy Selenium, Tower - B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally District, Hyderabad – 500 032, Telangana, India	Secretarial Department International Paper APPM Limited Rajahmundry – 533 105 East Godavari District, Andhra Pradesh, India
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p. **E-mail IDs for investor grievance redressal:**

1. Nagendrarao.Mittapalli@ipaper.com
2. Ashok.Yaramaneni@ipaper.com

- q. As there are no debt instruments and no fixed deposits are invited, the Company has not obtained any rating during the year.
- r. No debt instruments or for any fixed deposit programme or any scheme or proposal involving mobilization of funds, whether in India or abroad were issued by the Company.

**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](http://www.ipappm.com).

b. **Details of penalties imposed on the Company**

The Company received notices from BSE Limited and National Stock Exchange of India Limited in November, 2018 levying fine for non-compliance of Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) in respect of composition of Audit Committee in the Corporate Governance Report submitted for the quarter ended September 30, 2018.

The Company replied to the above stock exchanges that the Company constituted the Audit Committee as per LODR Regulations and hence fully complied with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as this Regulation does not specify that any fraction of a number while computing the composition need to be rounded off to as one.

The Company filed a writ petition No. 44910 of 2018 before Hon'ble High Court of Judicature at Hyderabad for the States of Telangana and Andhra Pradesh (Court) and the Hon. Court passed an Order dated December 11, 2018 in IA No. 1 of 2018 in W.P. No. 44910 of 2018 directing the Stock Exchanges not to take any coercive steps against the Company.

However, as a measure of good Corporate Governance, the Audit Committee of the Company has also been voluntarily reconstituted with effect from January 30, 2019 comprising of three Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

Except the above, there were no other non-compliance, penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets during the last three years.

c. **Whistle Blower Policy**

The Company has formulated Whistle Blower Policy and established a mechanism for directors and employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct 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](http://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.

##### Non-Mandatory requirements

- 1. Shareholder Right:** This will be considered for adoption in future.
- 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.

- There were no material subsidiaries during the year
- The Policy on Related Party Transactions is placed on the Company's website.
- No funds were raised through preferential allotment or qualified institutions placements during the year.
- A Certificate dated April 30, 2019 from M/s. D. Hanumanta Raju & Co., Company Secretaries, a company secretary in practice confirming that none of the directors of company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority has been received.
- None of recommendations of any Committee of the Board which are mandatorily required was rejected by the Board during the year.
- An amount of ₹ 74.70 lakhs was paid to M/s. Deloitte Haskins & Sells, Statutory Auditors for rendering their services during the year.
- During the year, one complaint was filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the respondent against whom the complaint had been filed has subsequently resigned from the services of the Company.

11. There were no non-compliance of requirements of Corporate Governance during the year.

#### 12. 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](http://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.

#### 13. 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.

#### 14. Equity shares in the Unclaimed Shares Demat Suspense Account

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

The particulars of shares in "International Paper APPM Limited – Unclaimed Shares Demat Suspense Account" as on March 31, 2019 are as follows:

Particulars	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	3	28
Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Shares Demat Suspense Account during the year	1	2
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, 2019	2	26

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

# Appendix - 1

## Skills and attributes identified by Board of Directors

SI. No.	Skills	Experience	Attributes
1	Practical wisdom and good judgment	Specialized knowledge in specific area	Highest personal and professional ethical standards and honesty.
2	Financial literacy – ability to read and understand a financial statement	Detailed knowledge of the industry or relevant industrial experience	Integrity, independence and free from conflict of interest.
3	Specialized professional skills viz. operations, finance, human resources, marketing, legal, corporate governance etc.	Expertise on global issues	An enquiring and independent mind.
4	Director Education - a clear understanding of the role and duties of a director and knowledge of code of conduct and business ethics.	High visibility in the field	Commitment to improve business, its continued well-being and making a difference.
5	Good interpersonal skills and ability to communicate clearly.	Leadership and Management experience	Willingness to represent the best interests of all stakeholders and objectively appraise the Board and Management performance.
6	Decision Maker- explore options and choosing those that have the significant benefit to the organization and its performance.	International Experience	Critical analysis and Judgment.
7	Risk Management	Personal networks and external contacts	Vision, imagination and foresight.
8	Interpersonal sensitivity – a willingness to keep an open mind and recognize other perspectives.		Strategic perspectives, able to identify opportunities and threats.
9	Ability to mentor other directors		Innovator – a willingness to challenge Management and their assumptions, stimulate Board discussion with new, alternative insights and ideas.
10	Agility to move from advisor to challenger as well as being a strong supportive voice one needed.		Motivation – drive and energy to set and achieve clear objectives and make an impact.
11	Advisory Skills		Clear personal commitment. Full participation and pro- active as a Board Member. Willingness to deal with tough issues. Maturity and discipline to know and maintain fine line between governance and management oversight.

## Declaration by the Chairman & Managing Director

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, 2019.

Hyderabad  
April 18, 2019



**Donald P. Devlin**  
Chairman & Managing Director

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

#### Certificate

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

We have examined the compliance of conditions of Corporate Governance by **International Paper APPM Limited** ("*the Company*"), for the year ended on March 31, 2019, as stipulated in Regulation 15(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

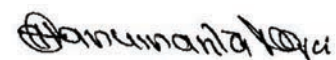
The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of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

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

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

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

**Place: Hyderabad  
Date: April 30, 2019**



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



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PAPER APPM LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of International Paper APPM Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the

financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Emphasis of Matter

We draw attention to Note 53 of the financial statements regarding the ongoing litigation with respect to the levy of electricity duty by the State Government on consumption of electricity by captive generating units and the interim orders of the Hon'ble Supreme Court of India on hearing the Special Leave Petition filed by the Company, in respect of which the Company on grounds of prudence and abundant caution created a provision amounting to ₹ 2,357.43 lakhs during the year ended March 31, 2017, in view of the inherent uncertainty in predicting the final outcome of the above litigation. Additionally, an amount of ₹ 1,571.62 lakhs has been disclosed as contingent liability. Based on the legal advice obtained, in the opinion of the Management no further provision would be required in relation to this disputed matter.

Our report is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	<p><b>Provisions and Contingent Liabilities (including income tax)</b></p> <p>Refer Notes 2C(e), 21, 22 &amp; 32A, in the financial statements for the related disclosures.</p> <p>The Company has ongoing litigations with various regulatory authorities and third parties. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its reliable estimate of the liability. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty.</p> <p>Due to the level of judgement relating to recognition, valuation and presentation of provisions and contingent liabilities, this is considered to be a key audit matter.</p>	<p>We obtained an understanding of management's process to identify new obligations and changes in existing obligations for compliance with Ind AS 12 – Income taxes and Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets.</p> <p>We analysed significant changes in material provisions from prior periods and obtained a detailed understanding of these changes and assumptions applied.</p> <p>Our audit procedures related to material provisions recognised and contingent liabilities disclosed in the financial statements included:</p> <ul style="list-style-type: none"> <li>• Assessment of the recognition criteria for the liability;</li> <li>• Evaluation of the methodology adopted by management for the measurement of the liability;</li> <li>• Assessment of the other key measurement assumptions and inputs.</li> <li>• We have requested for confirmations from the legal counsel of the Company representing the litigation matters of the Company at applicable forums.</li> <li>• We reviewed the minutes of the Board meetings including other committees.</li> <li>• Testing of the mathematical accuracy of the measurement calculation;</li> <li>• We have involved our internal experts with regard to direct and indirect taxes, and they have also considered the legal precedence and other rulings in evaluating management position on the uncertain tax matters.</li> <li>• We assessed the appropriateness of the presentation of the most significant contingent liabilities in the financial statements.</li> </ul>

## Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditor's report thereon. The Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information report is expected to be made available to us after the date of this auditor's report.
- Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- When we read the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other 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 Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

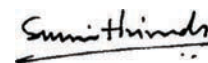
#### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
  - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on March 31, 2019 taken

on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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 the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid / provided by the Company to its directors during the year is in accordance with the provisions of Section 197 of the Act.
  - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
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's Registration No. 008072S)



**Sumit Trivedi**  
Partner  
(Membership No. 209354)

Hyderabad  
May 2, 2019

# 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, 2019 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

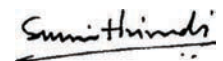
### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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, 2019, based on the criteria for internal financial control over financial reporting 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’s Registration No. 008072S)



**Sumit Trivedi**  
Partner

Hyderabad  
May 2, 2019

(Membership No. 209354)

# 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) In our opinion and according to the information and explanations given to us, and having regard to the legal opinion obtained by the Company (refer foot notes to Note 6 of the financial statements), on which we have relied, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of grant of loans. The Company has not made investments, provided guarantees and securities.
- (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 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, 2019 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, 2019 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	17.34	17.34
		High Court of Andhra Pradesh	2001-02 to 2003-04	12.64	12.64
		Income Tax Appellate Tribunal, Hyderabad	2001-02	14.26	14.26
	2008-09		40.08	40.08	
	Interest	High Court of Andhra Pradesh	1979-80	24.96	24.96
Central Sales Tax Act, 1956	Tax	Appellate Deputy Commissioner, Visakhapatnam	2008-09	21.54	21.54
		Sales Tax Appellate Tribunal, Visakhapatnam	2005-06	33.82	16.91
Andhra Pradesh General Sales Tax Act, 1957 & Central Sales Tax Act, 1956	Tax	Sales Tax Appellate Tribunal, Visakhapatnam	1995-96 to 1999-2000	27.41	27.41
Andhra Pradesh General Sales Tax Act, 1957	Tax	High Court of Andhra Pradesh	1990-99 and 2000-05	126.78	126.78
		Sales Tax Appellate Tribunal, Visakhapatnam	1996-97	10.82	6.57

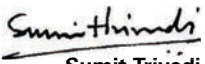
Name of Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount Involved (₹ lakhs)	Amount Unpaid (₹ lakhs)
AP Value Added Tax Act, 2005	Penalty	Appellate Deputy Commissioner, Visakhapatnam	2009-2012	1.81	1.77
	Tax	Sales Tax Appellate Tribunal, Visakhapatnam	2009 - 2011	23.66	11.84
		Appellate Deputy Commissioner, Visakhapatnam	2012-13 and 2014-15	211.77	105.90
	Penalty	Appellate Deputy Commissioner, Vijayawada	2012-2015	21.17	18.52
Madhya Pradesh Value Added Tax Act, 2002	Tax	High Court, Madhya Pradesh	1997-98	15.00	15.00
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	High Court of Andhra Pradesh	1996-97 and 1997-98	10.90	10.90
			February, 1994	0.36	0.36
	Duty & Penalty	Customs, Excise & Service Tax Appellate Tribunal, Bangalore	2001 to 2012	1,669.75	1,669.75
			2005-06 to 2008-09	1,302.65	1,302.65
			2015	48.36	48.36
			2006	140.36	140.36
			2010-11 to 2015-16	0.23	0.23
High Court of Andhra Pradesh	2000-01 to 2007-08	385.15	385.15		
Finance Act, 1994	Service Tax	High Court of Andhra Pradesh	2004-05 and 2005-06	51.10	51.10
	Service Tax & Penalty	Commissioner of Central Excise (Appeals), Visakhapatnam	2004-05 to 2012-13	347.28	347.28
			Customs, Excise & Service Tax Appellate Tribunal, Bangalore	March, 2012	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 Section 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 Indian accounting standards.

- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding or subsidiary company or persons connected with him and hence provisions of Section 192 of the Companies Act, 2013 are not applicable. The Company does not have an associate company.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

  
**Sumit Trivedi**

Hyderabad  
May 2, 2019

Partner  
(Membership No. 209354)

# BALANCE SHEET

## as at March 31, 2019

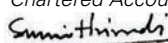
(₹ in lakhs)

PARTICULARS	Note	As at March 31, 2019	As at March 31, 2018
<b>A ASSETS</b>			
<b>Non-current assets:</b>			
(a) Property, plant and equipment	3	70,501.96	73,796.63
(b) Capital work-in-progress	3	843.37	419.44
(c) Intangible assets	4	242.95	369.36
(d) Financial assets			
(i) Investments	5	1,558.00	1,464.50
(ii) Loans	6	14.14	21.51
(iii) Other financial assets	7	964.59	990.09
(e) Non-current tax assets (net)	13	751.94	920.12
(f) Other non-current assets	8	3,717.98	2,888.60
<b>Total non-current assets</b>		<b>78,594.93</b>	<b>80,870.25</b>
<b>Current assets:</b>			
(a) Inventories	9	15,699.66	15,477.89
(b) Financial assets			
(i) Trade receivables	10	7,355.73	6,957.49
(ii) Cash and cash equivalents	11	1,465.01	1,601.05
(iii) Other bank balances	12	5,241.02	64.54
(iv) Loans	6	2,121.19	137.31
(v) Other financial assets	7	146.09	108.59
(c) Other current assets	8	7,353.51	3,790.45
		39,382.21	28,137.32
Assets classified as held for sale	14	632.44	656.38
<b>Total current assets</b>		<b>40,014.65</b>	<b>28,793.70</b>
<b>TOTAL ASSETS</b>		<b>118,609.58</b>	<b>109,663.95</b>
<b>B EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
(a) Equity share capital	15	3,977.00	3,977.00
(b) Other equity	16	72,403.61	52,423.53
<b>Total equity</b>		<b>76,380.61</b>	<b>56,400.53</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities:</b>			
(a) Financial liabilities			
(i) Borrowings	17	1,254.08	6,479.58
(ii) Other financial liabilities	20	478.37	691.31
(b) Provisions	21	171.66	354.89
(c) Deferred tax liabilities (net)	23	13,961.02	9,734.31
<b>Total non-current liabilities</b>		<b>15,865.13</b>	<b>17,260.09</b>
<b>Current Liabilities:</b>			
(a) Financial liabilities			
(i) Borrowings	18	-	11,600.00
(ii) Trade payables			
(a) total outstanding dues of micro enterprises and small enterprises	19	474.40	83.21
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	19	16,614.19	13,147.79
(iii) Other financial liabilities	20	3,448.88	5,913.78
(b) Provisions	21	3,448.09	3,448.09
(c) Other current liabilities	22	2,378.28	1,810.46
<b>Total current liabilities</b>		<b>26,363.84</b>	<b>36,003.33</b>
<b>Total liabilities</b>		<b>42,228.97</b>	<b>53,263.42</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>118,609.58</b>	<b>109,663.95</b>
Corporate information & significant accounting policies	1 & 2		
See accompanying notes forming part of the financial statements			

In terms of our report attached

**For Deloitte Haskins & Sells**

Chartered Accountants



**Sumit Trivedi**


Partner



**Anish T. Mathew**  
Vice President &  
Chief Financial Officer

Place: Hyderabad  
Date: May 2, 2019

**For International Paper APPM Limited**



**Donald P. Devlin**  
Chairman & Managing Director



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

# STATEMENT OF PROFIT AND LOSS

## for the year ended March 31, 2019

(₹ in lakhs)

PARTICULARS	Note	Year ended March 31, 2019	Year ended March 31, 2018
<b>1 Income:</b>			
(a) Revenue from operations	24	142,733.32	127,980.22
(b) Other income	25	1,458.84	529.40
<b>Total income</b>		<b>144,192.16</b>	<b>128,509.62</b>
<b>2 Expenses:</b>			
(a) Cost of materials consumed		47,972.98	48,238.60
(b) Changes in inventories of finished goods and work-in-progress	26	(119.50)	1,650.66
(c) Excise duty expense (refer Note 52)		-	1,579.65
(d) Employee benefits expense	27	15,268.02	15,220.17
(e) Finance costs	28	854.11	2,608.99
(f) Depreciation and amortisation expense	29	6,786.64	6,581.34
(g) Other expenses	30	41,754.13	39,147.98
<b>Total Expenses</b>		<b>112,516.38</b>	<b>115,027.39</b>
<b>3 Profit before exceptional items and tax (1 - 2)</b>		<b>31,675.78</b>	<b>13,482.23</b>
4 Exceptional items (net) (Refer note 54)		(542.61)	(836.56)
<b>5 Profit before tax (3 + 4)</b>		<b>31,133.17</b>	<b>12,645.67</b>
<b>6 Tax expense :</b>			
(a) Current tax	31	11,330.03	3,279.32
(b) Deferred tax	31	(204.52)	1,059.64
		<b>11,125.51</b>	<b>4,338.96</b>
<b>7 Net profit after tax (5 - 6)</b>		<b>20,007.66</b>	<b>8,306.71</b>
<b>8 Other comprehensive income</b>			
(i) Items that will not be reclassified to profit or loss:			
(a) Remeasurements of the defined benefit plans		(152.63)	(76.11)
(b) Equity instruments through other comprehensive income		93.50	453.36
(ii) Income tax relating to the items that will not be reclassified to profit or loss:		31.55	(78.26)
<b>Total other comprehensive income / (loss)</b>		<b>(27.58)</b>	<b>298.99</b>
<b>9 Total comprehensive income (7 + 8)</b>		<b>19,980.08</b>	<b>8,605.70</b>
Earnings per share (Face value of ₹ 10 each) Basic & Diluted - ₹	38	<b>50.31</b>	<b>20.89</b>
Corporate information & significant accounting policies	1 & 2		
See accompanying notes forming part of the financial statements			

In terms of our report attached

**For Deloitte Haskins & Sells**  
Chartered Accountants

  
**Sumit Trivedi**  
Partner

Place: Hyderabad  
Date: May 2, 2019

**For International Paper APPM Limited**

  
**Donald P. Devlin**  
Chairman & Managing Director

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

  
**Anish T. Mathew**  
Vice President &  
Chief Financial Officer



# STATEMENT OF CHANGES IN EQUITY

## for the year ended March 31, 2019

### (a) Equity share capital

(₹ in lakhs)

	Number of shares	Amount
<b>Balance as at April 1, 2017</b>	<b>39,770,039</b>	<b>3,977.00</b>
Changes in equity share capital during the year	-	-
<b>Balance as at March 31, 2018</b>	<b>39,770,039</b>	<b>3,977.00</b>
Changes in equity share capital during the year	-	-
<b>Balance as at March 31, 2019</b>	<b>39,770,039</b>	<b>3,977.00</b>

### (b) Other equity

(₹ in lakhs)

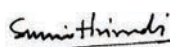
Particulars	Reserves and surplus				Items of other comprehensive income	Total
	Security premium	Capital redemption reserve	General reserve	Retained earnings	Equity instrument through other comprehensive income	
<b>Balance as at April 1, 2017</b>	<b>18,211.13</b>	<b>598.00</b>	<b>28,876.29</b>	<b>(3,458.15)</b>	<b>(409.43)</b>	<b>43,817.84</b>
Profit for the year	-	-	-	8,306.71	-	8,306.71
Remeasurements of the defined benefit plans (net of tax)	-	-	-	(49.78)	-	(49.78)
Changes in fair value (net of tax)	-	-	-	-	348.76	348.76
<b>Balance as at March 31, 2018</b>	<b>18,211.13</b>	<b>598.00</b>	<b>28,876.29</b>	<b>4,798.78</b>	<b>(60.67)</b>	<b>52,423.53</b>
Profit for the year	-	-	-	20,007.66	-	20,007.66
Transfer to retained earnings (refer Note 50)	-	-	(28,876.29)	28,876.29	-	-
Remeasurements of the defined benefit plans (net of tax)	-	-	-	(99.30)	-	(99.30)
Changes in fair value (net of tax)	-	-	-	-	71.72	71.72
<b>Balance as at March 31, 2019</b>	<b>18,211.13</b>	<b>598.00</b>	<b>-</b>	<b>53,583.43</b>	<b>11.05</b>	<b>72,403.61</b>

See accompanying notes forming part of the financial statements

In terms of our report attached

#### For Deloitte Haskins & Sells

Chartered Accountants



**Sumit Trivedi**

Partner

Place: Hyderabad  
Date: May 2, 2019



**Anish T. Mathew**  
Vice President &  
Chief Financial Officer

#### For International Paper APPM Limited



**Donald P. Devlin**

Chairman & Managing Director



**C. Prabhakar**

Senior Vice President (Corporate Affairs) &  
Company Secretary

# CASH FLOW STATEMENT

## for the year ended March 31, 2019

(₹ in lakhs)

PARTICULARS	Year ended March 31, 2019	Year ended March 31, 2018
<b>A. Cash flow from operating activities</b>		
Profit before tax after exceptional items	31,133.17	12,645.67
Adjustments for:		
Depreciation and amortisation expense	6,786.64	6,581.34
Loss on sale / scrap of property, plant and equipment's (net)	174.46	420.09
Finance costs recognised in profit or loss	854.11	2,608.99
Interest income recognised in profit and loss	(303.90)	(242.19)
Notional lease rental on embedded finance lease	(268.25)	(268.25)
Net (gain) / loss arising on financial assets measured at fair value through profit or loss	(2.79)	3.45
Bad trade receivables and advances written-off (net)	-	0.29
Provision/write off for doubtful trade receivables and advances	3.19	11.75
Liabilities / provisions no longer required written back	(630.34)	(20.00)
Exceptional items	542.61	836.56
Net unrealised foreign exchange (gain) / loss	18.36	(20.62)
<b>Operating profit before working capital changes</b>	<b>38,307.26</b>	<b>22,557.08</b>
<b>Changes in working capital:</b>		
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Inventories	(221.77)	2,906.21
Trade receivables	(361.77)	(217.36)
Loans	23.49	(14.71)
Other assets	(3,947.52)	(796.38)
Other financial assets	(31.47)	77.67
Changes in balances held as margin money / security for bank guarantees	-	16.35
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Trade payables	3,973.33	(560.15)
Other financial liabilities	271.06	125.55
Other liabilities	25.21	(70.62)
Provisions	(335.86)	(167.60)
<b>Cash generated from operations</b>	<b>37,701.96</b>	<b>23,856.04</b>
Income tax paid (net of refunds)	(6,699.07)	(2,345.64)
<b>Net cash generated by operating activities (A)</b>	<b>31,002.89</b>	<b>21,510.40</b>
<b>B. Cash flows from investing activities</b>		
Purchase of property, plant and equipment (including capital work-in-progress and other intangible assets)	(4,157.42)	(3,341.32)
Proceeds from sale of property, plant and equipment (including assets held for sale)	22.69	15.11
Inter-corporate deposits given	(3,000.00)	-
Inter-corporate deposits matured	1,000.00	-
Bank balances not considered as cash and cash equivalents	(5,177.95)	(36.97)
Interest received	319.65	235.76
<b>Net cash used in investing activities (B)</b>	<b>(10,993.03)</b>	<b>(3,127.42)</b>

# CASH FLOW STATEMENT (Cont.....)

## for the year ended March 31, 2019

(₹ in lakhs)

PARTICULARS	Year ended March 31, 2019	Year ended March 31, 2018
<b>C. Cash flow from financing activities</b>		
Proceeds from long-term borrowings	-	5,000.00
Proceeds from short-term borrowings	4,000.00	21,100.00
Repayment of long-term borrowings (including current maturities of the same)	(7,672.28)	(22,439.08)
Repayment of short-term borrowings	(15,600.00)	(18,500.00)
Finance costs	(859.80)	(2,619.39)
<i>Net cash used in financing activities (C)</i>	<b>(20,132.08)</b>	<b>(17,458.47)</b>
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C)</b>	<b>(122.22)</b>	<b>924.51</b>
Cash and cash equivalents at the beginning of the year	1,601.05	677.31
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	(13.82)	(0.77)
<b>Cash and cash equivalents at the end of the year (Refer note 11)</b>	<b>1,465.01</b>	<b>1,601.05</b>

### Reconciliation of Financial Liabilities - Borrowings

Particulars	As at April 01, 2018	Proceeds	Repayments	As at March 31, 2019
Current and non current borrowings, including current maturities	20,751.86	4,000.00	(23,272.28)	1,479.58
See accompanying notes forming part of the financial statements				

In terms of our report attached

**For Deloitte Haskins & Sells**  
Chartered Accountants

  
**Sumit Trivedi**  
Partner

Place: Hyderabad  
Date: May 2, 2019

**For International Paper APPM Limited**

  
**Donald P. Devlin**  
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# NOTES

## forming part of the financial statements

### 1. General information

International Paper APPM Limited (“IPAPPM”/“the Company”) is an integrated paper and pulp manufacturer. The equity shares of the Company are listed on Bombay Stock Exchange and the National Stock Exchange in India. IPAPPM was incorporated on June 29, 1964.

In October 2011, International Paper Company, USA, through IP Holding Asia Singapore Pte. Limited acquired controlling stake in the Company from the erstwhile promoters and public shareholders.

The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. IPAPPM owns and operates two manufacturing units located in the State of Andhra Pradesh, India, one at Rajamahendravaram and the other at Kadiyam in East Godavari District.

### 2. Significant accounting policies

#### A. Statement of compliance

The financial statements which comprise the Balance sheet, the Statement of Profit and Loss, the Cash flow statement and the Statement of changes in Equity (“Financial Statements”) have been prepared in accordance with Indian Accounting Standards (Ind ASs) notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter. Except for the changes below, the Company has consistently applied accounting policies to all periods.

The Company has adopted Ind AS 115 ‘Revenue from Contracts with Customers’ with the date of initial application being April 01, 2018. Ind AS 115 established a comprehensive framework on revenue recognition and replaces Ind AS 18 – Revenue and Ind AS 11 – Construction Contracts. There are no material adjustments arising on transition.

On March 28, 2018, Ministry of Corporate Affairs (“MCA”) notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarified the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid consideration in a foreign currency. The Company has evaluated the effect of this amendment on the financial statements and concluded that the impact is not material.

#### B. Basis of preparation and presentation

The financial statements have been prepared on accrual basis and on the historical cost convention except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### C. Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires Management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The following are the critical judgements and estimates that have been made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

**a) Useful lives of Property, plant and equipment**

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by Management at the time the asset is acquired and is reviewed at the end of each reporting period. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. This reassessment may result in change in depreciation expense in future periods.

**b) Fair value measurement of financial instruments**

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, the Company uses market-observable data to the extent available. Where Level 1 inputs are not available, the fair value is measured using valuation techniques, including the discounted cash flow model, which involves various judgments and assumptions. The Company also engages third party qualified valuers to perform the valuation in certain cases. The appropriateness of valuation techniques and inputs to the valuation model are reviewed by the Management.

**c) Income taxes**

The Company's tax jurisdiction is India. Significant judgements are involved in estimating budgeted profits for the purpose of paying advance tax, determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions.

**d) Defined benefit obligations**

The Company uses actuarial assumptions viz., discount rate, mortality rates, salary escalation rate etc., to determine such employee benefit obligations.

**e) Claims, provisions and contingent liabilities**

The Company has ongoing litigations with various regulatory authorities and third parties. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty. Information about such litigations is disclosed in notes to the financial statements.

**f) Other estimates**

The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analysing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

**D. 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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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, as applicable
Stock-in-trade	Weighted average cost

## **E. Property, plant and equipment and Capital work in progress**

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure in making the asset ready for its intended use and cost of borrowing till the date of capitalisation in the case of assets involving material investment and substantial lead time.

An item of Property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain/loss arising on the disposal or retirement of an item of Property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

### **Depreciation**

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

Depreciation on plant and equipment is provided on straight-line method over 10-25 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 report etc.

Depreciation on other tangible fixed assets viz. furniture and fixtures, office equipment and vehicles is provided on written down value method as per the useful life prescribed in Schedule II of the Companies Act, 2013.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets acquired under finance lease are depreciated over their expected useful lives on the same basis as owned assets. Leasehold improvements are amortised over the lower of estimated useful life and lease term.

Assets individually costing ₹ 15,000 and below are fully depreciated in the year of acquisition.

## **F. Intangible Assets**

Intangible assets are carried at cost, net of accumulated amortisation and impairment losses, if any. Cost of an intangible asset comprises of purchase price and attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on the straight line method over their estimated useful life.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognized.

## **G. Impairment**

### **a) Financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12 month ECL.

Lifetime ECLs are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12 month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all shortfalls), discounted at the original Effective Interest Rate (EIR). When estimating the cash flows, an entity is required to consider:

- (i) All contractual terms of the financial instrument (including prepayment, extension etc.) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

- (ii) Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

As a practical expedient, the Company uses a provision matrix to determine impairment loss on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analysed.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/expense in the Statement of Profit and Loss. ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the Balance Sheet.

#### **b) Non-financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. Losses are recognised in the Statement of Profit and Loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised then the previously recognised impairment loss is reversed through the Statement of Profit and Loss.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of asset ("the cash generating unit").

#### **H. Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of

the primary economic environment in which the entity operates (i.e. the "functional currency"). The financial statements are presented in Indian Rupee (₹), the national currency of India, which is the functional currency of the Company.

#### **I. Foreign currency transactions and translations**

Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of transactions. The date of transaction for the purpose of determining the exchange rate on initial recognition of the related asset, expense or income (part of it) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration. Foreign currency denominated monetary assets and liabilities are restated into the functional currency using exchange rates prevailing on the balance sheet date. Gains and losses arising on settlement and restatement of foreign currency denominated monetary assets and liabilities are recognised in the statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not translated.

#### **J. Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to revenue are recognised on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are deducted in reporting the related expense, as applicable. When the grant relates to an asset, it is recognised as deferred revenue in the Balance Sheet and transferred to the Statement of Profit and Loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan at a below-market rate of interest is treated as a government grant and measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

#### **K. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## **L. Employee benefits**

### **a) 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 profit and loss during the year when the contributions to the respective funds are due and as and when services are rendered by employees.

#### **Provident fund**

Eligible employees receive benefits from a provident fund. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. Rajahmundry unit of the Company makes the contributions to 'The Employee's Provident Fund of The Andhra Pradesh Paper Mills Limited' trust maintained by the Company, and for other locations the contributions are made to Regional Provident Fund Commissioner. The rate at which the annual interest is payable to the beneficiaries by the trust is determined by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. 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 an Insurer.

### **b) Defined benefit plans**

#### **Gratuity**

In accordance with the Payment of Gratuity Act, 1972, as amended, the Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the gratuity fund maintained with the Insurer.

Defined benefit costs are categorised as follows:

- a. service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- b. net interest expense or income; and
- c. re-measurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss.

### **c) Short-term and other long-term employee benefits**

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilised accumulating compensated absences and utilise it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company fully contributes all ascertained liabilities to the fund maintained with the Insurer. The Company recognises accumulated compensated absences based on actuarial valuation. Non-accumulating compensated absences are recognised in the period in which the absences occur.

## **M. Revenue recognition**

### **a) Sale of goods**

Revenue is recognised upon transfer of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is reduced for estimated customer returns, rebates and



other similar allowances, taxes or duties collected on behalf of the government. An entity shall recognise revenue when the entity satisfies a performance obligation by transferring a goods or services (i.e an asset) to a customer. An asset is transferred when the customer obtains control of that asset.

**b) Export benefits**

Export benefits are recognised on an accrual basis and when there is a reasonable certainty of realisation of such benefits / incentives.

**c) Other income**

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

**N. Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial asset or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial asset or financial liabilities at fair value through profit or loss are recognised immediately in the Statement of the Profit and Loss. While, loans and borrowings and payables are recognised net of directly attributable transaction costs.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trade) are recognised on trade date.

For the purpose of subsequent measurement, financial instruments of the Company are classified in the following categories: Non-derivative financial assets comprising amortised cost, investments in subsidiaries, equity instruments at fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL) and non-derivative financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition.

The classification of financial instruments depends on the objective of the Company's business model for which it is held and on the substance of the contractual terms / arrangements.

**a) Non - derivative financial assets**

**i. Financial assets at amortised cost**

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Financial assets are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss.

Financial assets at amortised cost are represented by trade receivables, security deposits, cash and cash equivalents, loans / Inter-Corporate deposits given / placed and eligible current and non-current assets.

Cash comprises cash on hand, cash at bank, cheques 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.

**ii. Investments in subsidiaries**

On initial recognition, these instruments are recognised at fair value plus any directly attributable transaction costs. Subsequently they are measured at cost.

**iii. Investments in Equity instruments at FVTOCI**

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to present the subsequent changes in fair value in other comprehensive income (OCI) pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These

lected investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the "equity instruments through other comprehensive income". The cumulative gain or loss is not reclassified to profit or loss on disposal of the investments.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedge instrument or a financial guarantee.

Dividends on these investments in equity instruments are recognised in the Statement of Profit and Loss when the Company's right to receive the dividends is established and the amount of dividend can be measured reliably.

#### **iv. Financial assets at fair value through profit or loss (FVTPL)**

FVTPL is a residual category for financial assets. A financial asset which does not meet the criteria for categorization as at amortised cost or as FVTOCI, is classified as FVTPL.

In addition, the Company may elect to designate the financial asset, which otherwise meets amortised cost or FVTOCI criteria, as FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets included within the FVTPL category are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the Statement of Profit and Loss. The net gain or loss recognised in the Statement of Profit and Loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item.

#### **De-recognition of financial assets**

The Company de-recognises financial assets when the contractual right to the cash flows from the asset expires or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On de-recognition of a financial asset (except as mentioned above for financial assets measured at FVTOCI), the difference between the carrying amount and the consideration received and receivable is recognised in the Statement of Profit and Loss.

### **b) Non-derivative financial liabilities**

#### **i. Financial liabilities at fair value through profit or loss (FVTPL)**

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other income' line item.

#### **ii. Financial liability subsequently measured at amortised cost**

Financial liabilities at amortised cost represented by borrowings, trade and other payables are initially recognized at fair value, and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### **De-recognition of financial liabilities**

The Company de-recognises financial liabilities, when and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities de-recognised and the consideration paid and payable is recognised in the Statement of Profit and Loss.

### **O. Leases**

#### **Finance Lease**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

#### **Operating Lease**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term in the Statement of Profit and Loss, unless the lease agreement explicitly states that increase is on account of inflation.

## **P. Taxation**

Income tax expense represent the sum of the current tax and deferred tax.

### **i. Current tax**

Current tax is determined as the amount of tax payable in respect of the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income-tax Act, 1961. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible under the Income-tax Act, 1961. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the period. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.

### **ii. Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of such deferred tax assets to be utilised.

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which gives future economic benefits in the form of availability of set-off against future income tax liability. Accordingly, MAT is recognized as a deferred tax asset in the Balance Sheet when the asset

can be measured reliably and it is probable that the future economic benefits associated with it will be realised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## **Q. Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources embodying economic benefits or the amount of such obligation cannot be measured reliably. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources embodying economic benefits is remote, no provision or disclosure is made.

## **R. Cash flow statements**

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.

## S. Earnings per share

Basic earnings per share is computed by dividing the profit/ (loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

## T. Exceptional item

Significant gains/losses or expenses incurred arising from external events that is not expected to recur are disclosed as 'Exceptional item'.

## U. New standards and interpretations not yet adopted

### Ind AS 116 – Leases

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 which will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Statement of Profit and Loss. The standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after 1 April 2019. The standard permits two possible methods of transition:

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8

Accounting Policies, Changes in Accounting Estimates and Errors

- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application.

### Amendment to Ind AS 12 – Income taxes:

On 30 March 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after 1 April 2019.

### Amendment to Ind AS 19 – plan amendment, curtailment or settlement:

On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after 1 April 2019.

The Company is evaluating the effect of the above on its financial statements.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## 3. Property, plant and equipment and capital work-in-progress

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
<b>Carrying amounts of:</b>		
Freehold land	295.92	295.92
Buildings	8,657.67	9,030.33
Plant and equipment	60,836.46	63,706.80
Furniture and fixtures	76.45	102.00
Vehicles	74.57	112.69
Office equipment	333.49	283.01
Lease hold improvements	227.40	265.88
<b>TOTAL - Property, plant and equipment</b>	<b>70,501.96</b>	<b>73,796.63</b>
Capital work-in-progress (CWIP)	843.37	419.44
<b>TOTAL - CWIP</b>	<b>843.37</b>	<b>419.44</b>

Cost or deemed cost	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Leasehold improvements	Total
<b>Balance as at April 1, 2017</b>	<b>297.30</b>	<b>9,602.78</b>	<b>75,056.35</b>	<b>202.88</b>	<b>234.24</b>	<b>310.77</b>	<b>342.86</b>	<b>86,047.18</b>
Additions	-	561.50	2,010.27	8.61	9.42	226.10	-	2,815.90
Disposals / adjustments*	-	(39.62)	(436.54)	(0.18)	(19.29)	(15.90)	-	(511.53)
Reclassified as held for sale	(1.38)	(118.60)	(1,736.46)	(0.37)	-	(0.39)	-	(1,857.20)
<b>Balance as at March 31, 2018</b>	<b>295.92</b>	<b>10,006.06</b>	<b>74,893.62</b>	<b>210.94</b>	<b>224.37</b>	<b>520.58</b>	<b>342.86</b>	<b>86,494.35</b>
Additions	-	122.73	3,177.46	8.15	-	226.99	-	3,535.33
Disposals / adjustments*	-	-	(214.19)	(1.00)	(1.18)	(5.10)	-	(221.47)
Reclassified as held for sale	-	-	-	-	(2.99)	-	-	(2.99)
<b>Balance as at March 31, 2019</b>	<b>295.92</b>	<b>10,128.79</b>	<b>77,856.89</b>	<b>218.09</b>	<b>220.20</b>	<b>742.47</b>	<b>342.86</b>	<b>89,805.22</b>

\* Adjustments includes transfers inter-se

Accumulated depreciation	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Leasehold improvements	Total
<b>Balance as at April 1, 2017</b>	-	<b>484.38</b>	<b>5,999.68</b>	<b>63.19</b>	<b>65.62</b>	<b>121.36</b>	<b>38.49</b>	<b>6,772.72</b>
Depreciation expense	-	538.87	5,597.81	45.97	53.13	121.29	38.49	6,395.56
Eliminated on disposal of assets	-	(23.66)	(115.63)	(0.05)	(7.07)	(5.08)	-	(151.49)
Eliminated on reclassification as held for sale	-	(23.86)	(295.04)	(0.17)	-	-	-	(319.07)
<b>Balance as at March 31, 2018</b>	-	<b>975.73</b>	<b>11,186.82</b>	<b>108.94</b>	<b>111.68</b>	<b>237.57</b>	<b>76.98</b>	<b>12,697.72</b>
Depreciation expense	-	495.39	5,881.44	33.18	36.52	171.78	38.48	6,656.79
Eliminated on disposal of assets	-	-	(47.83)	(0.48)	(0.64)	(0.37)	-	(49.32)
Eliminated on reclassification as held for sale	-	-	-	-	(1.93)	-	-	(1.93)
<b>Balance as at March 31, 2019</b>	-	<b>1,471.12</b>	<b>17,020.43</b>	<b>141.64</b>	<b>145.63</b>	<b>408.98</b>	<b>115.46</b>	<b>19,303.26</b>

#### 4. Intangible assets

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
<b>Carrying amounts of:</b>		
Acquired computer software	242.95	369.36
<b>TOTAL</b>	<b>242.95</b>	<b>369.36</b>

Cost or deemed cost	Acquired computer software	Total
<b>Balance as at April 1, 2017</b>	782.49	782.49
Additions	1.12	1.12
<b>Balance as at March 31, 2018</b>	783.61	783.61
Additions	3.44	3.44
<b>Balance as at March 31, 2019</b>	787.05	787.05

Accumulated amortisation	Acquired computer software	Total
<b>Balance as at April 1, 2017</b>	<b>228.47</b>	<b>228.47</b>
Amortisation expense	185.78	185.78
<b>Balance as at March 31, 2018</b>	<b>414.25</b>	<b>414.25</b>
Amortisation expense	129.85	129.85
<b>Balance as at March 31, 2019</b>	<b>544.10</b>	<b>544.10</b>

#### 5. Investments

(₹ in lakhs)

	As at March 31, 2019		As at March 31, 2018	
Non-current	Number	Amount	Number	Amount
<b>Trade</b>				
<b>Unquoted Investments (all fully paid)</b>				
(a) Investment in subsidiary at cost				
- IP India Foundation	50,000	5.00	50,000	5.00
<b>Total (A)</b>	<b>50,000</b>	<b>5.00</b>	<b>50,000</b>	<b>5.00</b>
(b) Investments in Equity Instruments at FVTOCI:				
- Andhra Pradesh Gas Power Corporation Limited, equity shares of ₹ 10 each	1,340,000	1,553.00	1,340,000	1,459.50
- Somar Granites Private Limited, equity shares of ₹ 10 each	30,000	3.00	30,000	3.00
- Kedia Distillery Limited, equity shares of ₹ 10 each	212,800	61.71	212,800	61.71
<b>Total (B)</b>	<b>1,582,800</b>	<b>1,617.71</b>	<b>1,582,800</b>	<b>1,524.21</b>
<b>Gross aggregate unquoted investments (C) = (A) + (B)</b>		<b>1,622.71</b>		<b>1,529.21</b>
Amount of impairment in value of investments:				
- Somar Granites Private Limited, equity shares of ₹ 10 each		3.00		3.00
- Kedia Distillery Limited, equity shares of ₹ 10 each		61.71		61.71
<b>Gross amount of impairment in value of investments (D)</b>		<b>64.71</b>		<b>64.71</b>
<b>Aggregate carrying value of unquoted investments (C) - (D)</b>		<b>1,558.00</b>		<b>1,464.50</b>

## 6. Loans

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
<b>Non-current</b>		
Loans		
Considered good - Secured	-	-
Considered good - Unsecured	14.14	21.51
Which have significant increase in Credit risk and Credit impaired	-	-
<b>TOTAL</b>	<b>14.14</b>	<b>21.51</b>
<b>Current</b>		
Loans		
Considered good - Secured	-	-
Considered good - Unsecured (Refer Notes below)	2,121.19	137.31
Which have significant increase in Credit risk and Credit impaired	-	-
<b>TOTAL</b>	<b>2,121.19</b>	<b>137.31</b>

Notes:

- (i) Loans considered good - Unsecured includes Inter-Corporate Deposit (ICD) placed by the Company with Citicorp Finance (India) Limited. Maximum amount outstanding during the year was ₹ 3,000 lakhs and amount outstanding as at March 31, 2019 is ₹ 2,000 lakhs at the interest rate of 7.15% per annum, which is maturing on April 15, 2019.
- (ii) In respect of the above ICD given, the Management has concluded, based on a legal opinion obtained by it, that the provisions of Section 186 of the Companies Act, 2013 have been complied with.

## 7. Other financial assets

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
<b>Non-Current</b>		
a) Security Deposits		
- Unsecured, considered good	964.59	990.09
<b>TOTAL</b>	<b>964.59</b>	<b>990.09</b>
<b>Current</b>		
a) Security Deposits		
- Unsecured, considered good	52.35	48.95
b) Advances to employees	7.51	8.60
c) Receivable from related parties	-	24.38
d) Others		
- Interest accrued on margin money deposits with banks	4.40	26.66
- Interest accrued on fixed deposits, ICD	61.35	-
- Interest accrued on others	20.48	-
<b>TOTAL</b>	<b>146.09</b>	<b>108.59</b>

**8. Other assets**

(₹ in lakhs)

	<b>As at March 31, 2019</b>	<b>As at March 31, 2018</b>
<b>Non-Current</b>		
a) Capital advances	483.94	35.83
b) Prepaid expenses	55.03	54.67
c) Balances with statutory / government authorities	3,179.01	2,798.10
<b>TOTAL</b>	<b>3,717.98</b>	<b>2,888.60</b>
<b>Current</b>		
a) Advances recoverable in cash or in kind		
Considered good	4,360.03	2,695.56
Considered doubtful	37.08	37.08
	4,397.11	2,732.64
Less: Provision for other doubtful loans and advances	37.08	37.08
	4,360.03	2,695.56
b) Prepaid expenses	221.84	401.79
c) Balances with statutory / government authorities	2,182.66	190.15
d) Others		
- Export benefits receivable	588.98	502.95
<b>TOTAL</b>	<b>7,353.51</b>	<b>3,790.45</b>

**9. Inventories**

(₹ in lakhs)

	<b>As at March 31, 2019</b>	<b>As at March 31, 2018</b>
(at lower of cost and net realisable value)		
(a) Raw materials	4,859.51	5,559.63
Add : Goods in Transit	29.97	95.62
(b) Work-in-progress	1,226.28	961.28
(c) Finished goods	1,275.01	1,420.51
(d) Stores and spares (includes fuel)	8,035.44	7,115.82
Add : Goods in Transit	273.45	325.03
<b>TOTAL</b>	<b>15,699.66</b>	<b>15,477.89</b>

Notes:

- (i) The cost of inventories recognised as an expense during the year has been disclosed on the face of the Statement of Profit and Loss.
- (ii) There are no inventories expected to be recovered after more than twelve months.

**10. Trade receivables**

(₹ in lakhs)

	<b>As at March 31, 2019</b>	<b>As at March 31, 2018</b>
Trade receivables		
(a) Considered good - Secured	2,737.00	3,671.65
(b) Considered good - Unsecured	4,618.73	3,285.84
(c) Which have significant increase in Credit risk and	-	-
(d) Credit impaired	89.39	126.10
Less: Impairment loss on trade receivables	89.39	126.10
<b>TOTAL</b>	<b>7,355.73</b>	<b>6,957.49</b>

Notes:

- (i) The average credit period on sale is 17 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at 15% per annum on the outstanding balance.
- (ii) Before accepting any new customer, the Company has a credit evaluating system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Of the trade receivables balance, ₹ 392.29 lakhs (as at March 31, 2018: ₹ 852.10 lakhs) is due from customers who represent more than 5% of the total balance of trade receivables.



- (iii) The Company maintains an allowance of doubtful accounts based on financial condition of the customer, ageing of customer receivable and overdues, available collaterals and historical experience of collections from customers. Accordingly, the Company creates provision towards doubtful receivables after recovering the underlying collaterals. Besides, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a historical loss rate method. The historical loss rate takes into account historical credit loss experience and adjusted for forward-looking information. The expected credit loss allowance is based on the average loss rate of the collections against the receivables.

#### Movement in the Impairment loss on trade receivables

(₹ in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
Balance at beginning of the year	126.10	115.92
Movement in the Impairment loss on trade receivables (Net)	(36.71)	10.18
Balance at end of the year	89.39	126.10

The Concentration of credit risk is limited to the fact that the customer base is large and unrelated.

#### 11. Cash and cash equivalents

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
a) Cash on hand	1.06	0.86
b) Balances with Banks		
- in Current accounts	707.21	1,093.27
- in EEFC accounts	156.73	406.92
- in demand deposit accounts with original maturity of less than 3 months	600.01	100.00
<b>TOTAL</b>	<b>1,465.01</b>	<b>1,601.05</b>

#### 12. Other bank balances

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
In other deposit accounts		
- Term deposits with original maturity of more than 3 months but less than 12 months	5,000.00	-
In earmarked accounts:		
(a) Balances held as margin money or security against guarantees and other commitments	241.02	63.07
(b) Unpaid dividend accounts	-	1.47
<b>TOTAL</b>	<b>5,241.02</b>	<b>64.54</b>

#### 13. Non-current tax assets (net)

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
<b>Tax assets</b>		
Advance Tax (including TDS receivable)	12,716.22	7,324.80
<b>Tax liabilities</b>		
Income tax payable	11,964.28	6,404.68
<b>TOTAL</b>	<b>751.94</b>	<b>920.12</b>

**14. Assets classified as held for sale**

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
Fixed assets held for sale - (Also refer Note 54 (b))	632.44	656.38
<b>TOTAL</b>	<b>632.44</b>	<b>656.38</b>

**15. Equity share capital**

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
Equity share capital	3,977.00	3,977.00
	<b>3,977.00</b>	<b>3,977.00</b>
<b>Authorised Share capital :</b>		
40,000,000 fully paid up equity shares of ₹ 10 each	4,000.00	4,000.00
500,000 Redeemable cumulative preference shares of ₹ 100 each	500.00	500.00
<b>Issued and subscribed capital comprises:</b>		
39,770,039 fully paid up equity shares of ₹ 10 each (as at March 31, 2018: 39,770,039)	3,977.00	3,977.00
	<b>3,977.00</b>	<b>3,977.00</b>

**15.1 Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year:**

	Number of shares	Share capital (Amount)
<b>Balance at April 01, 2017</b>	<b>39,770,039</b>	<b>3,977</b>
Changes during the year	-	-
<b>Balance at March 31, 2018</b>	<b>39,770,039</b>	<b>3,977</b>
Changes during the year	-	-
<b>Balance at March 31, 2019</b>	<b>39,770,039</b>	<b>3,977</b>

**15.2 Rights, preferences and restrictions attached to the equity shares**

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

**15.3 Equity shares held by the holding company**

Name of the Shareholder	As at March 31, 2019	As at March 31, 2018
International Paper Investments (Luxembourg) S.a.r.l #	21,856,033	21,856,033

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

**15.4 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, 2019		As at March 31, 2018	
	Number of Shares	% holding of equity shares	Number of Shares	% holding of equity shares
International Paper Investments (Luxembourg) S.a.r.l #	21,856,033	54.96	21,856,033	54.96
IP International Holdings Inc. #	7,971,496	20.04	7,971,496	20.04

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

**16. Other equity**

(₹ in lakhs)

	<b>As at March 31, 2019</b>	<b>As at March 31, 2018</b>
General reserve	-	28,876.29
Securities premium	18,211.13	18,211.13
Reserve for equity instruments through other comprehensive income	11.05	(60.67)
Retained earnings	53,583.43	4,798.78
Capital redemption reserve	598.00	598.00
<b>TOTAL</b>	<b>72,403.61</b>	<b>52,423.53</b>

**16.1 General reserve**

(₹ in lakhs)

<b>Particulars</b>	<b>As at March 31, 2019</b>	<b>As at March 31, 2018</b>
Balance at beginning of year	28,876.29	28,876.29
Movements during the year (Refer Note 50)	(28,876.29)	-
<b>Balance at end of year</b>	<b>-</b>	<b>28,876.29</b>

The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

**16.2 Securities premium**

(₹ in lakhs)

<b>Particulars</b>	<b>As at March 31, 2019</b>	<b>As at March 31, 2018</b>
Balance at beginning of year	18,211.13	18,211.13
Movements during the year	-	-
<b>Balance at end of year</b>	<b>18,211.13</b>	<b>18,211.13</b>

Security premium reserve represents the amount received in excess of the face value of the equity shares. The utilisation of the security premium reserve is governed by the Section 52 of the Companies Act, 2013 ("Act").

**16.3 Reserve for equity instruments through other comprehensive income**

(₹ in lakhs)

<b>Particulars</b>	<b>As at March 31, 2019</b>	<b>As at March 31, 2018</b>
Balance at beginning of year	(60.67)	(409.43)
Net fair value gain on investments in equity instruments at FVTOCI	93.50	453.36
Income tax on net fair value gain on investments in equity instruments at FVTOCI	(21.78)	(104.60)
<b>Balance at end of year</b>	<b>11.05</b>	<b>(60.67)</b>

This reserve represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income.

**16.4 Retained earnings**

(₹ in lakhs)

<b>Particulars</b>	<b>As at March 31, 2019</b>	<b>As at March 31, 2018</b>
Balance at beginning of year	4,798.78	(3,458.15)
Transfer from general reserve as per Scheme of Arrangement (Refer Note 50)	28,876.29	-
Profit for the year	20,007.66	8,306.71
Remeasurement of defined benefit plan	(152.63)	(76.11)
Related income tax	53.33	26.33
<b>Balance at end of year</b>	<b>53,583.43</b>	<b>4,798.78</b>

Retained earnings represent the Company's undistributed earnings after taxes.

## 16.5 Capital redemption reserve

(₹ in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
Balance at beginning of year	598.00	598.00
Movements during the year	-	-
<b>Balance at end of year</b>	<b>598.00</b>	<b>598.00</b>

Capital redemption reserve has been created pursuant to the requirements of the Act under which the Company is required to transfer certain amounts on redemption of preference shares. The Company has redeemed the underlying preference shares in the earlier years. The capital redemption reserve can be utilised for issue of bonus shares.

## 17. Borrowings

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
<b>Non-current</b>		
<b>Unsecured – at amortised cost</b>		
(i) Term loans (Refer Note (i) below)		
- from Banks	-	5,000.00
(ii) Deferred payment liabilities (Refer Note (ii) below)	1,254.08	1,479.58
<b>TOTAL</b>	<b>1,254.08</b>	<b>6,479.58</b>

### Notes:

#### (i) Term loans

During the year, the Company has availed unsecured term loans from banks aggregating to ₹ Nil lakhs (March 31, 2018 - ₹ 5,000.00 lakhs) outstanding at the year end ₹ Nil lakhs (March 31, 2018 - ₹ 7,500.00 lakhs) (Refer Note 20 for current maturities). Letter of Comfort has been provided to the banks by International Paper Company, USA, the ultimate holding company. The interest rates of these loans range from 7.55% to 8.00%. These term loans are repayable as under:

- Term Loan I: ₹ 15,000.00 lakhs which was payable in 6 equal quarterly installments commenced at the end of 21st month i.e. September 2017. The Company has pre-paid the last installment in June 2018.
- Term Loan II: ₹ 7,000.00 lakhs which was payable after completing moratorium of 18 months and in 10 equal quarterly installments commenced at the end of 21st month i.e. September 2017 was fully repaid in December 2017.
- Term Loan III: ₹ 5,000.00 lakhs which was payable after completing moratorium of 18 months and is repayable in 6 equal installments commencing at the end of 21st month i.e. November 2019 was fully repaid in October 2018.

#### (ii) Deferred payment liabilities

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 avilment. These are interest free loans. An amount of ₹ 225.50 lakhs (March 31, 2018 – ₹ 172.28 lakhs) is due within next twelve months and is included under the head 'Current maturities of long-term debts' disclosed under Note 20.

## 18. Borrowings

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
<b>Current</b>		
<b>Secured – at amortised cost</b>		
(a) Loans repayable on demand		
- from banks - Refer Note (i) below	-	2,000.00
<b>Unsecured – at amortised cost</b>		
a) Loans repayable on demand		
- from banks - Refer Note (ii) below	-	2,000.00
b) Loans from related parties - Refer Note (iii) below	-	7,600.00
<b>TOTAL</b>	<b>-</b>	<b>11,600.00</b>

### Notes:

- Secured loans was availed and repayable on demand represents Cash credit/Buyers credit/ Export packing credit loan from SBI, BNP Paribas during the year at interest rates ranging from 4.50% to 8.90%. These are secured by hypothecation of current assets of the Company.

- (ii) Unsecured loans were availed and repayable on demand represents Working capital demand loans/Cash credit /Export packing credit loan/Buyers credit from Bank of America, Citi bank, BNP Paribas during the year at interest rates ranging from 4.11% to 8.70%.
- (iii) Unsecured loan availed from International Paper (India) Private Limited at interest rate of 6.70% aggregating ₹ 7,600 lakhs during the previous year which was outstanding as on March 31, 2018, was fully paid during the current year.

## 19. Trade payables

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
(i) Total outstanding dues of micro enterprises and small enterprises (Refer Note 40)	474.40	83.21
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	16,614.19	13,147.79
<b>TOTAL</b>	<b>17,088.59</b>	<b>13,231.00</b>

## 20. Other financial liabilities

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
<b>Non-current</b>		
- Finance lease obligations	478.37	691.31
<b>TOTAL</b>	<b>478.37</b>	<b>691.31</b>
<b>Current</b>		
a) Current maturities of long-term debt	225.50	2,672.28
b) Current maturities of finance lease obligations	212.95	197.17
c) Interest accrued	15.53	21.22
d) Unclaimed dividends	-	1.47
e) Others :-		
(i) Trade / security deposits received	2,434.30	2,361.91
(ii) Payables on purchase of fixed assets	359.78	579.98
(iii) Contractually reimbursable expenses	57.04	79.75
(iv) Dues to Ultimate holding company towards Performance Share Plan	143.78	-
<b>TOTAL</b>	<b>3,448.88</b>	<b>5,913.78</b>

## 21. Provisions

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
<b>Non-Current</b>		
Employee benefits: (Refer Note 33)		
- Compensated absences	28.06	147.10
- Gratuity	143.60	207.79
<b>TOTAL</b>	<b>171.66</b>	<b>354.89</b>
<b>Current</b>		
Provisions:		
For contingencies (Refer Note 41)	1,090.66	1,090.66
For others (Disputed dues) (Refer Note 53)	2,357.43	2,357.43
<b>TOTAL</b>	<b>3,448.09</b>	<b>3,448.09</b>

**22. Other current liabilities**

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
a) Advances from customers	313.63	306.82
b) Other Payables		
- Statutory remittances	361.99	419.82
- Others*	1,702.66	1,083.82
<b>TOTAL</b>	<b>2,378.28</b>	<b>1,810.46</b>

\* Others include liabilities created on account of demands received in respect of excise, property tax, water cess etc.

**23. Deferred tax liabilities (net)**

(₹ in lakhs)

	As at March 31, 2019	As at March 31, 2018
Deferred tax liabilities (net)	13,961.02	14,197.09
MAT credit entitlement	-	(4,462.78)
<b>Deferred tax liabilities (net)</b>	<b>13,961.02</b>	<b>9,734.31</b>

2018-2019	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	MAT Credit utilization	Closing balance
<b>Deferred tax (liabilities) / assets in relation to:</b>					
Property, plant and equipment	(15,024.32)	314.99	-	-	(14,709.33)
Disallowances under Income Tax Act, 1961, allowed on payment basis	574.83	(94.25)	-	-	480.58
Longterm capital loss carried forward	22.53	0.22	-	-	22.75
Financial assets at FVTOCI	18.20	-	(21.78)	-	(3.58)
Provision for doubtful debts	56.48	(12.28)	-	-	44.20
Remeasurement of defined benefit plans	81.16	-	53.33	-	134.49
Others	74.03	(4.16)	-	-	69.87
MAT Credit	4,462.78	-	-	(4,462.78)	-
<b>Total</b>	<b>(9,734.31)</b>	<b>204.52</b>	<b>31.55</b>	<b>(4,462.78)</b>	<b>(13,961.02)</b>

2017-2018	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	MAT Credit utilization	Closing balance
<b>Deferred tax (liabilities) / assets in relation to:</b>					
Property, plant and equipment	(15,946.36)	922.04	-	-	(15,024.32)
Disallowances under Income Tax Act, 1961, allowed on payment basis	608.77	(33.94)	-	-	574.83
Unabsorbed depreciation carried forward	1,923.01	(1,923.01)	-	-	-
Longterm capital loss carried forward	22.53	-	-	-	22.53
Financial assets at FVTOCI	122.80	-	(104.60)	-	18.20
Provision for doubtful debts	58.85	(2.37)	-	-	56.48
Remeasurement of defined benefit plans	54.82	-	26.34	-	81.16
Others	74.82	(0.79)	-	-	74.03
MAT Credit	5,083.39	(21.57)	-	(599.04)	4,462.78
<b>Total</b>	<b>(7,997.37)</b>	<b>(1,059.64)</b>	<b>(78.26)</b>	<b>(599.04)</b>	<b>(9,734.31)</b>

**24. Revenue from operations**

(₹ in lakhs)

	Year ended March 31, 2019	Year ended March 31, 2018
(a) Sale of products - (Refer Note (i) below and Note 52)	140,950.37	125,981.91
(b) Other operating revenues - (Refer Note (ii) below)	1,782.95	1,998.31
<b>TOTAL</b>	<b>142,733.32</b>	<b>127,980.22</b>
Notes:		
(i) Sale of products comprise of sale of paper and paperboard		
(ii) Other operating revenues comprise:		
Sale of saplings	60.36	65.31
Duty draw back on exports	938.68	911.73
Incidental charges recovered from customers	87.33	461.09
Sale of scrap	696.58	560.18
<b>TOTAL</b>	<b>1,782.95</b>	<b>1,998.31</b>

**25. Other income**

(₹ in lakhs)

	Year ended March 31, 2019	Year ended March 31, 2018
a) Interest income earned on financial assets that are not designated as fair value through profit or loss	6.51	6.06
b) Interest income	297.39	236.13
c) Gain on disposal of property, plant and equipment (net)	-	-
d) Insurance and other claims	3.03	56.16
e) Liabilities / provisions no longer required written back	630.34	20.00
f) Exchange differences (net)	133.53	-
g) Miscellaneous Income	388.04	211.05
<b>TOTAL</b>	<b>1,458.84</b>	<b>529.40</b>

**26. Changes in inventories of finished goods and work-in-progress**

(₹ in lakhs)

	Year ended March 31, 2019	Year ended March 31, 2018
<b>Inventories at the beginning of the year</b>		
- Work-in-progress	961.28	1,651.71
- Finished goods	1,420.51	2,444.68
	2,381.79	4,096.39
<b>Inventories at the end of the year</b>		
- Work-in-progress	1,226.28	961.28
- Finished goods	1,275.01	1,420.51
	2,501.29	2,381.79
Changes in Inventories	(119.50)	1,714.60
Duties on increase / (decrease) of finished goods	-	(63.94)
	<b>(119.50)</b>	<b>1,650.66</b>

**27. Employee benefits expense**

(₹ in lakhs)

	Year ended March 31, 2019	Year ended March 31, 2018
Salaries and wages	13,087.11	13,057.08
Contribution to provident and other funds	811.17	806.69
Performance share plan expense (Refer Note 51)	239.72	89.18
Cost of deputed personnel	157.29	112.32
Staff welfare expenses	972.73	1,154.90
<b>TOTAL</b>	<b>15,268.02</b>	<b>15,220.17</b>

**28. Finance costs**

(₹ in lakhs)

	Year ended March 31, 2019	Year ended March 31, 2018
Interest on bank overdrafts and loans (other than those from related parties)	349.40	1,860.49
Interest on loans from related parties	159.63	175.61
Other interest expense	278.72	510.78
Bank and finance charges	66.36	62.11
<b>TOTAL</b>	<b>854.11</b>	<b>2,608.99</b>

**29. Depreciation and amortisation expense**

(₹ in lakhs)

	Year ended March 31, 2019	Year ended March 31, 2018
Depreciation of property, plant and equipment (Refer Note 3)	6,656.79	6,395.56
Amortisation of intangible assets (Refer Note 4)	129.85	185.78
<b>TOTAL</b>	<b>6,786.64</b>	<b>6,581.34</b>

**30. Other expenses**

(₹ in lakhs)

	Year ended March 31, 2019	Year ended March 31, 2018
Consumption of stores, spares and chemicals	18,973.00	17,213.89
Power, fuel and water	8,827.33	9,370.08
Repairs and maintenance		
- Buildings	887.41	843.39
- Plant and machinery	2,026.92	3,825.60
- Others	352.62	247.72
Operating Service expenses	3,859.99	-
Conversion / processing charges	284.06	382.87
Forwarding, transportation and other sales expenses	1,319.11	2,213.43
Rates and taxes	329.57	469.62
Royalty	502.75	427.94
Rent	445.93	474.48
Insurance	408.11	464.42
Legal and professional charges	583.85	1,024.24
Provision for doubtful trade receivables and advances	3.19	11.75
Bad trade receivables and advances written-off	-	0.29
Exchange differences (net)	-	39.82
Payment to auditors (Refer Note 39)	74.70	72.38
Loss on sale / scrap of property, plant and equipment's (net)	174.46	420.09
Miscellaneous Expenses	2,701.13	1,645.97
<b>TOTAL</b>	<b>41,754.13</b>	<b>39,147.98</b>



### 31. Tax Expense

#### A. Amounts recognised in profit or loss

##### i) Income tax recognised in the Statement of profit or loss

(₹ in lakhs)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Current Tax	11,330.03	3,279.32
Deferred tax	(204.52)	1,059.64
<b>Total income tax expense recognised</b>	<b>11,125.51</b>	<b>4,338.96</b>

##### ii) Income tax recognised in other comprehensive income

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
<b>Deferred tax related to items recognised in OCI</b>		
Deferred tax benefit on fair value gain on investments in equity instruments through OCI	(21.78)	(104.60)
Deferred tax expense on remeasurements of defined benefit plans	53.33	26.34
<b>Income tax income / (expense) recognised in OCI</b>	<b>31.55</b>	<b>(78.26)</b>

#### B. The income tax expense for the year can be reconciled to the accounting profit as follows:

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
<b>Profit before tax (A)</b>	<b>31,133.17</b>	<b>12,645.67</b>
Enacted tax rate (B)	34.94%	34.61%
Expected Tax Expenses (C=A * B)	10,879.17	4,376.41
<b>Adjustments</b>		
Effect of change in tax rate	137.84	-
Prior year taxation	47.80	-
Effect of expenses that are not deductible in determining taxable profit	158.17	-
Setoff of unabsorbed depreciation of earlier years	(206.14)	-
Tax effects of other adjustments	108.67	(37.45)
<b>Total Adjustments - D</b>	<b>246.34</b>	<b>(37.45)</b>
<b>Tax expense recognised in profit or loss (E=C+D)</b>	<b>11,125.51</b>	<b>4,338.96</b>

### 32. Contingent Liabilities and Commitments

#### A. Contingent Liabilities (to the extent not provided for):

(₹ in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
Claims against the Company not acknowledged as debt:		
- Matters under litigation		
a. Income tax matters	640.67	640.67
b. Excise duty claims disputed by the Company relating to issues of applicability, classification and valuation	4,040.43	5,642.97
c. Sales tax claims disputed by the Company relating to issues of applicability, royalty and discounts	570.08	556.17
d. Electricity duty towards consumption of energy generated by captive power unit (refer Note 53)	1,571.62	1,571.62
e. Other matters (third party claims, interest on royalty, ex-employees claims etc.,)	2,066.05	2,066.05

The amounts disclosed above represent best estimates 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:**

(₹ in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,509.78	2,080.38

**33. Employee Benefits****A. Defined contribution plans :****Provident fund:**

The Company contributed ₹ 415.34 lakhs (Previous year: ₹ 402.95 lakhs) to the Provident Fund Trust maintained by the Company and ₹ 112.50 lakhs (Previous year: ₹ 122.48 lakhs) to Regional Provident Fund Commissioner, which was recognized as an expense in Statement of Profit and Loss during the year.

**Superannuation:**

The Company recognized ₹ 23.04 lakhs (Previous year: ₹ 28.95 lakhs) as an expense towards contribution as superannuation in the Statement of Profit and Loss during the year.

**B. Defined benefit plans**

**Amounts recognised in statement of profit and loss in respect of these defined benefit i.e. Gratuity plans are as follows:** (₹ in lakhs)

	Year ended March 31, 2019	Year ended March 31, 2018
Current service cost	181.51	168.33
Net interest expense	13.68	1.96
<b>Components of defined benefit costs recognised in statement of profit or loss</b>	<b>195.19</b>	<b>170.29</b>
Re-measurement on the net defined benefit liability:		
- Return on plan assets (greater)/less than discount rate	(44.01)	(60.41)
- Actuarial (gains) / losses arising from experience adjustments	154.14	6.19
- Actuarial (gains) / losses arising from changes in financial assumptions	42.50	130.33
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>152.63</b>	<b>76.11</b>
<b>Total</b>	<b>347.82</b>	<b>246.40</b>

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the Statement of profit and loss.

The re-measurement of the net defined benefit liability is included in other comprehensive income.

**The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:** (₹ in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
Present value of defined benefit obligation	2,767.13	2,498.49
Fair value of plan assets	2,623.53	2,290.70
<b>Net liability arising from defined benefit obligation</b>	<b>(143.60)</b>	<b>(207.79)</b>

**Movements in the present value of the defined benefit obligation are as follows:** (₹ in lakhs)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
<b>Opening defined benefit obligation</b>	<b>2,498.49</b>	<b>2,410.85</b>
Current service cost	181.51	168.33
Interest cost	180.14	160.00
Actuarial (gains) / losses arising from experience adjustments	154.14	6.19
Actuarial (gains) / losses arising from changes in financial assumptions	42.50	130.33
Benefits paid	(289.65)	(377.21)
<b>Closing defined benefit obligation</b>	<b>2,767.13</b>	<b>2,498.49</b>

**Movements in the fair value of the plan assets are as follows:**

(₹ in lakhs)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
<b>Opening fair value of plan assets</b>	<b>2,290.70</b>	<b>2,317.92</b>
Interest income	166.47	158.04
Contributions from the employer	412.00	131.54
Return on plan assets (greater)/less than discount rate	44.01	60.41
Benefits paid	(289.65)	(377.21)
<b>Closing fair value of plan assets</b>	<b>2,623.53</b>	<b>2,290.70</b>

**Composition of plan assets:**

Particulars	As at March 31, 2019	As at March 31, 2018
Insurer managed funds	100.00%	100.00%
	<b>100.00%</b>	<b>100.00%</b>

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Particulars	March 31, 2019		March 31, 2018	
Discount rate	7.65%		7.70%	
Estimated rate of return on plan assets	7.50%		7.50%	
Salary escalation rate	7.00%		Sr.staff - 7.00% Jr. staff & Workers 6.00%	
Mortality rate	Indian Assured Lives Mortality (IALM) (2012-14) 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 &	2%	41 &	2%
	Above		Above	

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

(₹ in lakhs)

	Gratuity plan	
	March 31, 2019	March 31, 2018
<b>Sensitivity Analysis – DBO at the end of the year</b>		
Discount rate + 100 basis points	(191.44)	(149.55)
Discount rate – 100 basis points	220.44	171.53
Salary rate + 1%	219.68	171.44
Salary rate – 1%	(194.22)	(152.13)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the process used by the Company to manage its risks from prior periods.

	Gratuity plan	
	March 31, 2019	March 31, 2018
<b>Weighted average duration of DBO</b>	8 years	8 years
<b>Expected cash flows</b>		
1. Expected employer contribution in the next year	150.00	60.38
2. Expected benefit payments		
Year 1	335.99	317.58
Year 2	340.19	288.33
Year 3	405.59	382.18
Year 4	350.24	329.41
Year 5	267.97	284.80
Beyond 5 years	1,082.45	1,529.47

### 34. Segment reporting

#### Operating Segments

The Chairman & Managing Director of the Company has been identified as the Chief Operating Decision Maker (CODM) who evaluates the Company's performance and allocates resources for manufacture and sale of pulp, paper and paperboard. Accordingly, manufacturing and sale of pulp, paper and paperboard is considered as the single operating segment of the Company.

#### Geographical Information

The Company operates in India and makes certain sales to customers situated outside of India. The revenue from external customers by location of customers is detailed below. All the non-current assets of the Company are situated within India.

(₹ in lakhs)

Revenue – Sale of products	Year ended March 31, 2019	Year ended March 31, 2018
India	1,18,960.48	1,03,021.65
Outside India	21,989.89	22,960.26
<b>Total</b>	<b>1,40,950.37</b>	<b>1,25,981.91</b>

### 35. Related party disclosures

#### a. List of related parties and relationships

**(i) Ultimate Holding Company**

International Paper Company, USA

**(ii) Holding Company**

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

**(iii) Subsidiary Company**

IP India Foundation

**(iv) Fellow Subsidiaries**

International Paper (India) Private Limited

**(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**

- Mr. Donald Paul Devlin – Chairman & Managing Director (with effect from April 28, 2017)
- Mr. Rampraveen Swaminathan – Chairman & Managing Director (till April 27, 2017)

**b. Transactions during the year**

(₹ in lakhs)

Particulars	Name of the related party	Year ended March 31, 2019	Year ended March 31, 2018
Professional charges – Income	International Paper (India) Private Limited	318.17	163.11
Professional charges - Management contracts	International Paper (India) Private Limited	168.05	123.00
Royalty expenses	International Paper Company, USA	450.92	427.94
Loan received	International Paper (India) Private Limited	-	8,600.00
Loan repaid	International Paper (India) Private Limited	7,600.00	1,000.00
Foreign currency loan paid	International Paper Investments (Luxembourg) S.à r.l.	-	2,596.50
Interest paid on foreign currency loan	International Paper Investments (Luxembourg) S.à r.l.	-	41.26
Interest paid on loan	International Paper (India) Private Limited	159.63	134.35
Expenses to be reimbursed - Performance Share Plan	International Paper Company, USA	239.72	89.18
Contribution towards provident fund	The Employees Provident Fund of The Andhra Pradesh Paper Mills Limited	415.34	402.95
Contribution towards CSR expenses	IP India Foundation	13.83	9.10

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

(₹ in lakhs)

Particulars	Name of the related party	As at March 31, 2019	As at March 31, 2018
<b>Due to related parties</b>			
Loan payable	International Paper (India) Private Limited	-	7,600.00
Trade payables	International Paper (India) Private Limited	2.97	41.77
	International Paper Company, USA	104.85	190.73
Payable towards performance share plan	International Paper Company, USA	333.52	167.78
<b>Due from related parties</b>			
Other Receivables	International Paper (India) Private Limited	-	24.38

**Notes:**

In respect of certain borrowings (refer Note 17), Letter of Comfort has been provided to the banks by International Paper Company, USA, the ultimate holding company.

**36. Obligations under finance leases**

(₹ in lakhs)

Particulars	Minimum lease payments		Present value of minimum lease payments	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Not later than one year	268.25	268.25	248.38	248.37
Later than one year and not later than five years	536.51	804.75	442.84	640.11
Later than five years	-	-	-	-
	<b>804.76</b>	<b>1,073.00</b>	<b>691.32</b>	<b>888.48</b>
Less: Future finance charges	(113.44)	(184.52)	-	-
Present value of minimum lease payments	<b>691.32</b>	<b>888.48</b>	<b>691.32</b>	<b>888.48</b>

(₹ in lakhs)

Included in the financial statements as	As at March 31, 2019	As at March 31, 2018
- Current Finance Lease obligations (Refer Note 20)	212.95	197.17
- Non-Current Finance Lease obligations (Refer Note 20)	478.37	691.31
<b>Total</b>	<b>691.32</b>	<b>888.48</b>

### 37. Operating lease arrangements

The Company's significant leasing arrangements are in respect of operating leases for premises (Offices, go-downs etc.) ranging from 3 years to 20 years. The aggregate lease rentals payable are charged as "Rent" under Note 30 - Other expenses.

With regard to the non-cancellable operating lease, the future minimum lease rentals are as follows: (₹ in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
Not later than one year	40.73	37.60
Later than one year and not later than five years	169.19	166.06
Later than five years	285.12	328.98

### 38. Earnings per share

The calculations of profit attributable to equity shareholders and weighted average number of equity shares outstanding for purposes of basic earnings per share calculation are as follows:

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Profit for the year (In ₹ Lakhs)	20,007.66	8,306.71
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 (₹)	50.31	20.89

### 39. Payments to Auditors

(₹ in lakhs)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Statutory audit fees	52.00	50.00
Limited Review fees	12.00	12.00
Tax audit fees	8.00	8.00
Certification fees	1.50	1.50
Out of pocket expenses and others	1.20	0.88
<b>TOTAL</b>	<b>74.70</b>	<b>72.38</b>

The above excludes ₹ 4 lakhs (Previous year - ₹ 4 lakhs) paid to the affiliate firm of auditors

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

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

(₹ in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
(i) Principal amount remaining unpaid to supplier at the end of the year	474.40	83.21
(ii) Interest due thereon remaining unpaid to supplier at the end of the year	15.53	7.48
(iii) The amount of interest paid along with the amounts of the payment made to supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable	-	-
(v) The amount of interest accrued and remaining unpaid at the end of accounting year	15.53	7.48

#### 41. 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 21. The movement of this provision account is as under:

(₹ in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
Opening balance	1,090.66	1,090.66
Provision made during the year	-	-
Amounts utilized / reversed during the year	-	-
<b>Closing balance</b>	<b>1,090.66</b>	<b>1,090.66</b>

#### 42. Category-wise classification of Financial Instruments

The carrying value of financial instruments by categories as at March 31, 2019 and March 31, 2018 is as follows:

(₹ in lakhs)

Particulars	Fair value hierarchy	Carrying Value #	
		As at March 31, 2019	As at March 31, 2018
<b>FINANCIAL ASSETS</b>			
<b>Measured at amortised cost</b>			
(i) Cash and cash equivalents	Level 2	1,465.01	1,601.05
(ii) Other bank balances	Level 2	5,241.02	64.54
(iii) Trade receivables	Level 2	7,355.73	6,957.49
(iv) Loans *	Level 2	2,135.33	158.82
(v) Investments	Level 2	5.00	5.00
(vi) Other financial assets **	Level 2	1,110.68	1,098.68
<b>Measured at FVTOCI</b>			
Investments in equity instruments	Level 3	1,553.00	1,459.50
<b>TOTAL FINANCIAL ASSETS</b>		<b>18,865.77</b>	<b>11,345.08</b>
<b>FINANCIAL LIABILITIES</b>			
<b>Measured at Amortised cost</b>			
(i) Borrowings (including current maturities of long term debt)	Level 2	1,479.58	20,751.86
(ii) Trade payables	Level 2	17,088.59	13,231.00
(iii) Other financial liabilities ***	Level 2	3,701.75	3,932.81
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>22,269.92</b>	<b>37,915.67</b>

# Also represents fair value

\* Loans include loans given to employees

\*\* Other financial assets includes Security deposits with the vendors, advances given to employees, Receivable from related parties and margin money deposits.

\*\*\* Other financial liabilities includes interest accrued on the long term debt, security deposits received from customers and payables on purchase of fixed assets, excluding current maturities of long term debt.

### 43. Calculation of fair values

The fair values of the financial assets and liabilities are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent with those used for the year ended March 31, 2018.

Financial assets and liabilities measured at fair value as at Balance Sheet date

The fair values of investments in unquoted equity investments has been estimated using a discounted cash flow model under income approach. The valuation requires Management to make certain assumptions about model inputs, including forecast cash flows, discount rate and credit risk, the probabilities of the various estimates within range can be reasonably assessed and are used in Management's estimate of fair value for these unquoted investments.

### 44. Fair value hierarchy:

The fair value of financial instruments as referred to in Note 42 above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identified assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The categories used are as follows:

Level 1 — Quoted prices for identified instruments in an active market.

Level 2 — Directly or indirectly observable market inputs, other than Level 1 inputs; and

Level 3 — Inputs which are not based on observable market data.

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Company's financial assets and financial liabilities are measured at the fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique and other inputs used).

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value
	March 31, 2019	March 31, 2018				
Investments in equity instruments at FVTOCI (unquoted Note iii)	1.84% equity investment in Andhra Pradesh Gas Power Corporation Limited engaged in generation and distribution of power and domiciled in India, ₹ 1,553.00 lakhs	1.84% equity investment in Andhra Pradesh Gas Power Corporation Limited engaged in generation and distribution of power and domiciled in India, ₹ 1,459.50 lakhs	Level 3	Discounted cash flow model under income approach was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee.	Long term growth rates, taking into account management's experience and knowledge of market conditions of the specific industry at 2%. Weighted average cost of capital (WACC) as determined ranging from 17.22% (As at March 31, 2018: 15.78%)	A slight increase in long term revenue growth rates used in isolation would result in increase in the fair value (Refer Note i below). A slight increase in the WACC used in isolation would result in decrease in the fair value (Refer Note ii below)

#### Notes:

- If the Long-term growth rates used were 1% higher / lower while all other variables were held constant, the carrying amount of the shares would increase / (decrease) by ₹ 62.00 lakhs and ₹ (53.00) lakhs respectively [as at March 31, 2018: increase/(decrease) by ₹ 131.83 lakhs and ₹ (113.99) lakhs.].
- A 1% increase / (decrease) in WACC or discount rate used while holding all other variables constant would (decrease) / increase the carrying amount of the unquoted equity investments by ₹ (94.00) lakhs and ₹ 108.00 lakhs respectively (as at March 31, 2018: (decrease) / increase by ₹ (97.35) lakhs and ₹ 112.48 lakhs).
- These investments in equity instruments are not held for trading. Instead, they are held for long term strategic purpose. Upon the application of Ind AS 109, the Company has chosen to designate these investments in equity instruments as at FVTOCI irrevocably as the Management believes that this provides a more meaningful presentation for long term strategic investments, than reflecting changes in fair value immediately in profit or loss.



<b>Investments in unquoted equity instruments at FVTOCI</b>	<b>For the year ended March 31, 2019</b>	<b>For the year ended March 31, 2018</b>
Opening balance	1,459.50	1,006.14
Total gain or losses:		
- in other comprehensive income	93.50	453.36
Purchases	-	-
Sold	-	-
<b>Closing balance</b>	<b>1,553.00</b>	<b>1,459.50</b>

#### 45. Financial Risk Management and Capital Management

The Company's business activities are exposed to a variety of financial risks, namely Interest rate risk, credit risk, liquidity risk and foreign currency risk. The Company's senior management has the overall responsibility for establishing and governing the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, periodically review the changes in market conditions and reflect the changes in the policy accordingly. The key risks and mitigating actions are overseen by the Board of Directors of the Company.

##### A. Interest rate risk

The Company is exposed to interest rate risk because Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for the non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's:

Profit for the year ended March 31, 2019 would decrease/increase by ₹ Nil lakhs (for the year ended March 31, 2018: decrease/increase by ₹ 103.76 lakhs). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

##### B. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by the Company's established policy, procedures and control relating to the customer credit risk management. The Company uses financial information and past experience to evaluate credit quality of majority of its customers and individual credit limits are defined in accordance with this assessment. Outstanding receivables and the credit worthiness of its counterparties are periodically monitored and taken up on case to case basis. Considering the historical experience of collecting trade receivables, the Company evaluates the concentration of risk with respective trade receivables as low.

The credit risk on cash and bank balances and deposits with financial institutions is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

##### C. Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilised credit limits with banks. The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended March 31, 2019 and March 31, 2018. Cash flow from operating activities provides the funds to service the financial liabilities on a day to day basis.

The Company regularly maintains the rolling forecasts to ensure it has sufficient cash on an on-going basis to meet operational needs. Any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing short term deposits with appropriate maturities to optimise the cash returns on investments while ensuring sufficient liquidity to meet its liabilities.

The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2019 and March 31, 2018:

(₹ in lakhs)

Particulars	Total Amount	Less than 1 year	More than 1 and less than 2 years	More than 2 and less than 3 years	More than 3 years
<b>March 31, 2019</b>					
Trade payables	17,088.59	17,088.59	-	-	-
Payables for purchase of fixed assets	359.78	359.78	-	-	-
Borrowings	1,479.58	225.50	1,254.08	-	-
Other financial liabilities*	3,341.97	3,341.97	-	-	-
<b>March 31, 2018</b>					
Trade payables	13,231.00	13,231.00	-	-	-
Payables for purchase of fixed assets	579.98	579.98	-	-	-
Borrowings	20,751.86	14,272.28	6,479.58	-	-
Other financial liabilities*	3,352.83	3,352.83	-	-	-

\* Other financial liabilities include deposits received from customers amounting to ₹ 2,434.30 lakhs (March 31, 2018: ₹ 2,361.91 lakhs). These deposits do not have a contractual re-payment term but are repayable on demand. Since, the Company does not have an unconditional right to defer the payment, these deposits have been classified as current balances. For including these amounts in the above mentioned maturity analysis, the Company has assumed that these deposits, including interest thereon, will be repayable at the end of the reporting period. The actual maturity period for the deposit amount can differ based on the date on which these deposits are settled to customers.

#### D. Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

##### As at March 31, 2019:

Particulars	As at March 31, 2019 (All figures in lakhs)			
	GBP	USD	EURO	₹
<b>Assets</b>				
Trade Receivables	-	20.74	-	1,434.07
Cash and cash equivalents	-	2.27	-	156.73
<b>Liabilities</b>				
Trade payables	-	5.34	-	369.58
Advances received from customers	-	-	-	-

##### As at March 31, 2018:

Particulars	As at March 31, 2018 (All figures in lakhs)			
	GBP	USD	EURO	₹
<b>Assets</b>				
Trade Receivables	-	26.15	-	1,704.40
Cash and cash equivalents	-	6.24	-	406.92
<b>Liabilities</b>				
Trade payables	0.03	5.87	3.85	697.14
Advances received from customers	-	0.16	-	10.45

#### Foreign currency sensitivity analysis

Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in US Dollar, Great Britain Pound and Euro against the functional currency of the Company.

₹ 1 strengthening of INR against US Dollar, to which the Company is majorly exposed would have led to approximately ₹ 17.66 lakhs loss in the Statement of Profit and Loss (Year ended March 31, 2018 - ₹ 26.36 lakhs gain).

A ₹ 1 weakening of the INR against US Dollar would have led to an equal but opposite effect.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items.

## 46. Capital management

The Company's capital management objective is to maximise the total shareholder return by optimising cost of capital through flexible capital structure that supports growth. Further, the Company ensures optimal credit risk profile to maintain/enhance credit rating.

The Company determines that amount of capital on the basis of annual operating plan and long term strategic plans. The funding requirements are met through internal accruals and long-term/short-term borrowings. The Company monitors the capital structure on the basis of Net debt to equity ratio and maturity profile of the overall debt portfolio of the Company.

For the purpose of Capital management, capital includes equity capital, securities premium and all other reserves. Net debt includes all long and short-term borrowings as reduced by cash and cash equivalents.

The following table summarises the net debt to equity ratio of the Company: (₹ in lakhs)

Particulars	As at March 31, 2019	As at March 31, 2018
Long term borrowings, current maturities of long-term debt and short term borrowings	1,479.58	20,751.86
Cash and cash equivalents (including other bank balances)	(6,706.03)	(1,665.59)
Inter-Corporate Deposit	(2,000.00)	-
<b>Net debt / Surplus Cash - (A)</b>	<b>(7,226.45)</b>	<b>19,086.27</b>
<b>Equity – (B)</b>	<b>76,487.58</b>	<b>56,400.53</b>
Net debt to equity ratio – (A)/(B)	(9.45)	0.34

## 47. Expenses disclosed under the respective notes are net of the following amounts capitalized / (de-capitalized) by the Company under capital work-in- progress / fixed assets:

(₹ in lakhs)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Other expenses (including net exchange differences)	-	(25.04)

48. 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.

## 49. 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, 2018: ₹ Nil).

50. Pursuant to the approval of National Company Law Tribunal (NCLT) vide its order dated November 16, 2018 in respect of the 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 ("the Scheme"), the required transfers as envisaged by the Scheme have been made in the books of accounts.

## 51. Performance Share Plan - Restricted Stock Units

### Equity-settled share-based payments

Certain employees of the Company have been granted performance-based restricted stock units ("PSUs") of International Paper Company, USA, the ultimate holding company, ("IP Co") in accordance with the terms and conditions specified in the Performance Share Plan ("PSP"), from time to time.

The PSP is assessed, managed and administered by IP Co and the PSUs granted as part of the PSP will vest after a period of 3 years from the year the grant is given.

As per the arrangement with IP Co, the cost pertaining to the PSUs granted to the employees of the Company, is recharged to the Company, based on a fair valuation model.

**Movements in the number of share options outstanding and their related weighted average exercise prices as at March 31, 2019 and March 31, 2018:**

Particulars	March 31, 2019		March 31, 2018	
	Number of options	Weighted Average Exercise Price (₹)	Number of options	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	10,217	3,226	10,551	2,852
Granted during the year	4,302	2,966	3,028	4,143
Forfeited during the year	-	-	3,362	2,879
Exercised during the year	4,238	2,561	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	10,281	3,587	10,217	3,226
Exercisable at the end of the year	10,281	3,587	10,217	3,226
Weighted average remaining contractual life (in years)		1.73		1.06

Particulars	March 31, 2019	March 31, 2018
Grant Date share price – In US \$	46.08	NA
Exercise Price (in Rupees)	3,204.40	NA
Expected Volatility	22.81% - 24.60%	22.75% - 22.9%
Life of the options granted (Vesting and exercise period) in years	3	3
Expected dividends	-	-
Average risk-free interest rate	1.47% - 2.44%	1.31% - 1.98%
Expected dividend rate	-	-

**52.** The Government of India introduced the Goods and Services tax (GST) with effect from July 01, 2017. Accordingly, in compliance with Indian Accounting Standards (Ind AS), Revenue from operations for the periods beginning July 1, 2017 to March 31, 2019 is presented net of GST. Revenue from operations of earlier periods included Excise duty which now is subsumed in GST.

**53.** In the year ended March 31, 2017, the Hon'ble High Court for the State of Telangana and the State of Andhra Pradesh upheld the validity of levy of electricity duty @ 25 paisa per unit by the State Government on consumption of electricity by captive generating units relating to earlier years. The Company (along with other petitioners) filed a Special Leave Petition in the Hon'ble Supreme Court, which in the interim, directed the petitioners to pay partial amount without prejudice to the rights and contentions of the petitioners, pursuant to which the Company had paid ₹ 1,502.05 lakhs under protest in the year ended March 31, 2017. The matter is pending hearing.

In view of the inherent uncertainty in predicting the final outcome of the above litigation, the Management has, on grounds of prudence and abundant caution, made a provision amounting to ₹ 2,357.43 lakhs during the year ended March 31, 2017 towards the potential liability in the event of an unfavourable verdict in this matter. Additionally, an amount of ₹ 1,571.62 lakhs has been disclosed as a contingent liability. On the basis of the legal advice obtained, in the opinion of the Management no further provision would be required in relation to this disputed matter.

**54. Exceptional items**

a. During the year ended March 31, 2019:

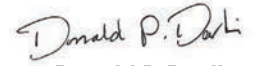
In respect of a disputed matter which is pending resolution, the Management has, considering the developments in the case and based on grounds of prudence, made a provision towards the interest demand amounting to ₹ 542.61 lakhs. The Company has already paid the related duty amount in the earlier years.

b. During the year ended March 31, 2018:

The Management on evaluation of the performance and usefulness of all the fixed assets in use, determined to de-commission certain fixed assets which are not required for the continued or future business operations of the Company. Consequently, the net book value of these assets (net of its fair value less costs to sell) has been re-classified in the Balance Sheet as 'Assets classified as held for sale' and ₹ 836.56 lakhs representing the write-down of the net book value was disclosed as an Exceptional Item in the Statement of Profit and Loss.

55. The financial statements are approved for issue by the Board of Directors on May 02, 2019.

**For International Paper APPM Limited**



**Donald P. Devlin**

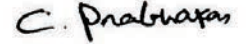
Chairman & Managing Director



**Anish T. Mathew**

Vice President &  
Chief Financial Officer

Place: Hyderabad  
Date: May 2, 2019



**C. Prabhakar**

Senior Vice President (Corporate Affairs) &  
Company Secretary









**INTERNATIONAL  PAPER**

**INTERNATIONAL PAPER APPM LIMITED**

(Formerly known as The Andhra Pradesh Paper Mills Limited)

(CIN L21010AP1964PLC001008)

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