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## Highlights 2015-16

Cut-size sales increased by 38%

Paper production capacity  
utilized 90.4%

Coal consumption per ton of  
paper came down by 5.1%

Reduced Lost Work Incident Rate  
(LWIR) by 5%

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

EBIDTA higher by 37.6%

Exports grew by 46%

Water consumption per ton of  
paper reduced by 7.2%

Power consumption per ton of  
paper produced lower by 9.4%

Saplings distributed exceeded  
the previous year by 2.2%

Enhanced green cover by 14.5%

EPS increased from ₹0.06 to ₹9.3



## This is IP APPM

### Corporate Overview

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

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

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

It is our mission to become one of the best and most respected companies in the country - as measured by our employees, our customers, our communities and our share owners. To achieve this goal, the Company is focused on excellence on its three drivers - People, Customers and Operations, while maintaining high standards of integrity and safety in everything we do.



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

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



# Shaping Our Success



*Dear shareholders and employees,*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

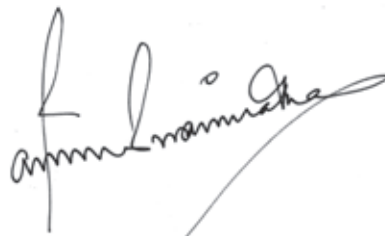
Today, we have a renewed organization but going forward, we will continue to invest in our stated priorities and create long-term value for our stakeholders. The first priority shall always be to ensure that every team member is accountable for his or her safety, where each employee leads by example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

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

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

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

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



**RAMPRAVEEN SWAMINATHAN**  
Chairman & Managing Director





# 2015-16

## Sustainability Score Card

INTERNATIONAL PAPER APPM LIMITED

### Reduce Water Usage



2016

Water consumption reduced by 7%

### Energy Efficiency



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

### Reduction in GHG Emissions

CO<sub>2</sub>

CO<sub>2</sub>

CO<sub>2</sub>

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

### Air Quality



Stack emissions reduced; SO<sub>2</sub> lowered by 17%; NO<sub>x</sub> lowered by 34%;  
Particulate matter reduced by 5%

### Reduce Waste

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



### Accident-free workplace

LWIR Improved by 5%



### FSC Certified Fiber



Increased buying to 100%

### Increase Fiber Efficiency



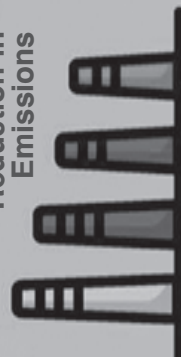
Improved fiber efficiency by 1%

### Supply Chain Performance

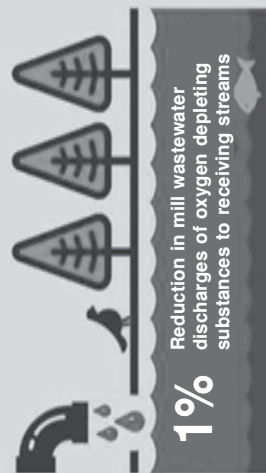


Establish baseline supply chain performance and implement plans to improve by 2017

### Reduction in Emissions



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



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

1%

### Charitable Support

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



Working for the Common Good

INTERNATIONAL PAPER APPM LIMITED

# Recognition

## Special Export Award

Recognition for export performance from CAPEXIL.



## Best Management Award

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



## Parivartan Sustainability Leadership Award

Recognized for leadership in branding for sustainability.