

BOARD'S REPORT

Dear Members,

The Board of Directors has pleasure in presenting the 54th Annual Report of the Company and the Audited Accounts for the year ended March 31, 2018.

Performance Review

During the financial year 2017-18, the Company 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 an increase of 28%, Profit after Tax improved by 156% supported by decrease in finance costs, depreciation and exceptional items. The Company continued to focus on important initiatives for improving employee safety and environmental compliance as well as improving the customer experience and operational efficiencies.

(In ₹ Crores)

Summary of Financial Results	March 31, 2018	March 31, 2017
Sales and other operating income	1279.80	1230.94
Earnings before interest, depreciation and taxation (EBITDA)	226.72	176.03
Finance costs	26.09	33.59
Depreciation	65.81	70.03
Profit before exceptional items	134.82	72.41
Exceptional items	(8.37)	(28.18)
Profit before tax	126.45	44.23
Tax expense	43.39	11.83
Profit for the year	83.06	32.40

Dividend

In order to conserve the resources for meeting future capital needs, the Directors have decided not to recommend dividend on the equity shares of the Company.

Markets, Customers and Commercial Excellence

The Paper Industry in India is growing steadily with increasing demand from various customer segments like education, business & corporate and commercial printing. The demand and growth drivers have come from a combination of factors such as rising income levels, growing per capita expenditure, rapid urbanization, industrial production, government spending on education and increased school enrollments.

To cater to the customer needs, the Company offers the best products and services using innovation, sustainability and manufacturing excellence programs. The Company has been able to grow in most regions through distribution expansion and customer engagement programs.

To build trust with the customers, the Company needs to be consistent with its quality and service. Our customers expect the Company to deliver orders on-time and in-full. We must do this to earn their trust. To improve the customer experience, we revised our order management and scheduling process for a ~10% improvement in OTIF rate to 90% for 2017 (On-Time & In-Full).

With an objective to increase customer satisfaction, loyalty and awareness, the Company conducted various customer engagement programs like roadshows, technical meetings, loyalty programs and conferences. These programs served as a platform to show case

the Company's products and demonstrate their performance, which helped in understanding the customer needs better. Based on this, the Company developed new products to suit their specific needs. One of the success stories last year was Reflection – White in Cutsize. The Company also aligned its product development strategy to address the growing trends in business and education segments, which added to the value proposition.

The continuous focus in improving customer experience through engagement and new product introduction resulted in increased customer value creation, which led to increase in sales volume by 4% over last financial year.

Raw Material Security

Fiber is the key raw material ingredient within our products, so long term access to low cost sustainable fiber is important to our strategy. We actively engage with farmers and other key stakeholders to collaborate on efforts to improve the strength of the seedlings and clones as well as enhanced farming techniques to improve yield. These efforts help to ensure the long term access to sustainable fiber.

The strategy has also enabled the sourcing of 100% of the Company's fiber requirement within a 300 km radius of the mill, while stabilizing the fiber cost in 2017-18. Our partnerships with farmers has enabled the planting of ~ 4.3 million high yielding Casuarina clones and ~ 70 million Casuarina seedlings. The plantations have covered ~ 10,250 hectares of farm land and generated ~5.1 million man-days of employment for farmers.

Developing and maintaining strong species of Casuarina, Eucalyptus and Subabul requires a commitment to ongoing research and development. We are working with the Indian Paper Manufacturers Association (IPMA) and 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 developing clonal species.

Human Resource Management

The Company's agenda for engaging and developing our employees is broad and deep including many initiatives to attract, develop and retain talent. The key focus areas during the year included diversity and inclusion, succession planning, developing a talent pool for critical positions, quality of life programs and leadership development. Beginning with the senior leadership team, the Company appointed a new Vice President & CFO and new Vice President for Procurement and Forestry. Both of these leaders were promoted from within the Company and are a testament to the organization strength of succession planning and development of future leaders. The succession plans and leadership development programs also work deep in the organization as evidenced by the promotion of several young and talented employees to new leadership positions.

We have taken a more professional, proactive and engaging 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. Following a fair, transparent and engaging process, the Company successfully signed a long-term bargaining agreement with Kadium Workers Union.

We believe that highly engaged employees drive better results in every measurement. The global employee engagement survey received tremendous response at the Company with 92% respondents voicing high satisfaction at work. This high level of satisfaction rated in the top quartile of IP globally. In addition to employee participation, for the first time, we included contract workers in the survey to measure their engagement.

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 100 leaders. The Company used this opportunity to recognize its leaders' accomplishments as well as review the success, failures and learnings from 2017. 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 2018 priorities.

Leveraging the power of Information Technology

Applying IT solutions to business operations can be a powerful technique to improve efficiency, cost and focus time. The IT department has begun using data analytics and digital automation tools to enhance productivity, reduce manual work and increase accuracy. The focus areas include 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.

CSR and inclusive growth

The Company is committed to inclusive growth of the communities around the manufacturing facilities in which it operates and for this purpose, it identified three focus areas namely Education, Health and Wellness and Engagement. It has been striving hard for sustainable inclusive growth by taking up various initiatives under these focus areas.

The Company had adopted a CSR Policy which is placed on the Company's website: www.ipappm.com. The Members of Corporate Social Responsibility Committee as on March 31, 2018 comprised of:

- a. Mr. M.S. Ramachandran (Independent Director) – Chairman
- b. Ms Ranjana Kumar (Independent Director) - Member
- c. 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 ₹ 60.70 lakhs during the financial year 2017-18 whereas the Company spent a sum of ₹ 61.04 lakhs (Including donation of ₹ 9.10 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-1.

Awards

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

- a. Certificate of Silver Prize in the manufacturing sector, medium scale hazardous category under 6th FICCI Safety Systems Excellence Awards for Industry 2017 in respect of Unit: Kadiyam from Federation of Indian Chambers of Commerce and Industry.
- b. Janmabhoomi Award in recognition of special CSR work done in Kadiyam
- c. Janmabhoomi Award for CSR work done in the areas of education and safe drinking water plants in Rajahmundry
- d. Award for innovation in the field of mental health for employees from National Institute of Mental Health and Neurosciences

Related Party Transactions

All related party transactions that were entered into during the financial year under review were on arms-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 which forms part of this Report.

Risk Management

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

a. Fiber Procurement

The Company spends more than 25% of its 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 five Audit Committee meetings were held. The details of the meetings held are given in the Corporate Governance Report forming part of Annual Report.

During the year under review:

- a. Mr. Rampraveen Swaminathan resigned as Chairman & Managing Director with effect from the close of office hours of April 27, 2017 and the Board placed on record its appreciation for his outstanding contribution in building a strong leadership team, and culture of meritocracy, integrity and fairness and turning around into a profitable company.
- b. Mr. Thomas G. Kadien, Non-Executive Director resigned from the Board effective June 30, 2017 and the Board placed on record its appreciation for the valuable advice and guidance received from Mr. Thomas G. Kadien.
- c. Ms Shiela P. Vinczeller, Non-Executive Director resigned from the Board effective February 2, 2018 and the Board placed on record its appreciation for the valuable advice and guidance received from Ms Shiela P. Vinczeller.

Mr. Donald P. Devlin assumed charge as Chairman & Managing Director of the Company with effect from April 28, 2017.

As per the provisions of Companies Act, 2013 Mr. W. Michael Amick Jr. will retire by rotation at the forthcoming Annual General Meeting and being eligible offered himself for reappointment.

Mr. Russell V. Harris and Ms Megan A.F. Bula will hold office up to the date of forthcoming Annual General Meeting and the Board recommends their reappointment by the Members at the forthcoming Annual General Meeting.

b. Independent Directors

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

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

A Meeting of Independent Directors was held on January 31, 2018.

c. Key Managerial Personnel

Mr. Badrinath Chellappa resigned as Chief Financial Officer with effect from the close of business hours of July 25, 2017. Mr. Anish T. Mathew has been appointed as Chief Financial Officer and he assumed charge from October 24, 2017.

d. Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board

has carried out the annual performance evaluation of 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 2017-18 was discussed by the Board at the Meeting held on May 2, 2018.

e. Board Training and Induction

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

f. Audit Committee

The Audit Committee as on March 31, 2018 comprised of Mr. Praveen P. Kadle as Chairman and Messrs Milind Sarwate, Adhiraj Sarin, W. Michael Amick Jr. and Donald P. Devlin as other Members. All the recommendations made by the Audit Committee were accepted by the Board.

Extract of Annual Return

The extract of Annual Return as on financial year ended March 31, 2018 as required under sub-section 3 of Section 92 of the Companies Act, 2013 in Form No. MGT 9 is attached as Annexure-3.

Particulars of Employees

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

Vigil Mechanism

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

Internal Financial Controls

The Company established an 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, 2018 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. Messrs Deloitte Haskins & Sells, Chartered Accountants have confirmed their eligibility and compliance with conditions relating to their reappointment for the financial year 2018-19.

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 2017-18 is attached as Annexure-4.

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, 2018 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, 2019 and their remuneration shall be ratified by the Members at the forthcoming Annual General Meeting.

Cost Accounting Records

Cost accounting records for the financial year under review were maintained as per the Companies (Cost 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, 2018. The Cost Audit Report for the financial year ended March 31, 2017 was filed with the Ministry of Corporate Affairs in August, 2017.

The Cost Audit Report for the year ended March 31, 2018 will be filed before end of September, 2018.

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, a Section 25 company under the Companies Act, 1956 wherein the excess of income

over expenditure will be applied for promoting its objectives. Accordingly, the accounts of IP India Foundation are not consolidated since the holding Company will not derive any economic benefit from its investment in IP India Foundation. During the financial year ended March 31, 2018, the Foundation recorded deficit of ₹ 0.61 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, 2018 is attached as Annexure-5.

Directors' Responsibility Statement

The Board of Directors hereby confirms and declares that:

- in the preparation of final accounts for the year ended March 31, 2018 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the financial year ended March 31, 2018 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, 2018 on a 'going concern' basis;
- they had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating efficiently;
- they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating efficiently.

General

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

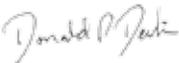
Acknowledgements

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

Hyderabad
June 30, 2018


Donald P. Devlin
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 area of CSR activities are Education, Health and Wellness and 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

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. The Committee presently comprises 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 last three financial years calculated as specified by the Companies Act, 2013 for financial year 2017-18 was ₹ 3035.03 lakhs

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

The prescribed CSR expenditure for the financial year 2017-18 is ₹ 60.70 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 2017-18 was ₹ 61.04 lakhs

b) Amount unspent, if any

NIL

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