NOTES
forming part of the financial statements

1. General information

International Paper APPM Limited ("IP APPM" / "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 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 Companies (India Accounting Standards) Amendment Rules, 2016 as applicable.

Up to the year ended March 31, 2017, the Company prepared its financial statements in accordance with the requirements of previous generally accepted accounting principles ("Previous GAAP"), which includes Standards as per the Companies (Accounting Standards) Rules, 2006, as amended, notified under Section 133 of the Companies Act, 2013.

These are the Company's first Ind AS financial statements. The date of transition to Ind AS is April 01, 2016. Refer Note 54 for the details of reconciliations for the transition from Previous GAAP to Ind AS.

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 provided 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.
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 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

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rate of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies and remaining unsettled at the end of each reporting period are translated at the exchange rates prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using exchange rates at the date when fair value is measured. Exchange differences arising on actual payment/ realization and translations referred to above are recognised in the Statement of Profit and Loss.

J. Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching 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. 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, 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 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. 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

Revenue is measured at fair value of the consideration received or receivable, net of returns, trade discounts, incentives, rebates and other similar allowances.

Revenue includes only the gross inflows of economic benefits, including excise duty received and receivable by the Company, on its own account. Amounts collected on behalf of third parties such as sales tax / value added tax / goods and services tax are excluded from revenue.

a) Sale of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the customers and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

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

b) 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.

c) 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.

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. While, loans and borrowings and payables are recognised net of directly attributable transaction costs.

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 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 elected 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 liability

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 represents the sum of the tax currently payable 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.

iii. Current and deferred tax for the year

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

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new Ind AS and amendments to Ind ASs which the Company has not applied as they are effective for annual periods beginning on or after April 1, 2018:

Ind AS 115 Revenue from Contracts with Customers – New Ind AS

Ind AS 21 The Effect of Changes in Foreign Exchange Rates – Amendment to Ind AS

Ind AS 115 – Revenue from Contracts with Customers

Ind AS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Ind AS 115 will supersede the current revenue recognition standard Ind AS 18 – Revenue and Ind AS 11 – Construction Contracts when it becomes effective. The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Company is currently evaluating the possible impact of the Ind AS 115 on the financial statements.

Ind AS 21 – The Effect of Changes in Foreign Exchange Rates

The amendment clarifies on the accounting of transactions that include the receipt or payment of advance consideration in a foreign currency. The appendix explains that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Company is evaluating the impact of this amendment 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, 2018	As at March 31, 2017	As at April 1, 2016
Carrying amounts of:			
Freehold land	295.92	297.30	297.30
Buildings	9,030.33	9,118.40	9,007.46
Plant and equipment	63,706.80	69,056.67	72,265.31
Furniture and fixtures	102.00	139.69	187.48
Vehicles	112.69	168.62	121.56
Office equipment	283.01	189.41	242.54
Lease hold improvements	265.88	304.37	323.00
TOTAL - Property, plant and equipment	**73,796.63**	**79,274.46**	**82,444.65**
Capital work-in-progress (CWIP)	419.44	251.08	1,713.57
TOTAL - CWIP	**419.44**	**251.08**	**1,713.57**

Cost or deemed cost	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Leasehold improvements	Total
Balance as at April 1, 2016	**297.30**	**9,007.46**	**72,265.31**	**187.48**	**121.56**	**242.54**	**323.00**	**82,444.65**
Additions	-	595.32	2,796.21	15.40	122.90	68.23	19.86	3,617.92
Disposals / adjustments*	-	-	(5.17)	-	(10.22)	-	-	(15.39)
Balance as at March 31, 2017	**297.30**	**9,602.78**	**75,056.35**	**202.88**	**234.24**	**310.77**	**342.86**	**86,047.18**
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)
Balance as at March 31, 2018	**295.92**	**10,006.06**	**74,893.62**	**210.94**	**224.37**	**520.58**	**342.86**	**86,494.35**
Accumulated depreciation								
Balance as at April 1, 2016	-	-	-	-	-	-	-	-
Depreciation expense	-	484.38	5,999.71	63.19	67.19	121.36	38.49	6,774.32
Eliminated on disposal of assets	-	-	(0.03)	-	(1.57)	-	-	(1.60)
Balance as at March 31, 2017	**-**	**484.38**	**5,999.68**	**63.19**	**65.62**	**121.36**	**38.49**	**6,772.72**
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)
Balance as at March 31, 2018	**-**	**975.73**	**11,186.82**	**108.94**	**111.68**	**237.57**	**76.98**	**12,697.72**
Carrying amount								
Balance as at April 1, 2016	297.30	9,007.46	72,265.31	187.48	121.56	242.54	323.00	82,444.65
Balance as at March 31, 2017	297.30	9,118.40	69,056.67	139.69	168.62	189.41	304.37	79,274.46
Balance as at March 31, 2018	295.92	9,030.33	63,706.80	102.00	112.69	283.01	265.88	73,796.63

* Adjustments includes transfers inter-se

4. Intangible assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Carrying amounts of:			
Computer software	369.36	554.02	682.83
TOTAL	**369.36**	**554.02**	**682.83**

Cost or deemed cost	**Computer software**	**Total**
Balance as at April 1, 2016	**682.83**	**682.83**
Additions	99.66	99.66
Balance as at March 31, 2017	**782.49**	**782.49**
Additions	1.12	1.12
Balance as at March 31, 2018	**783.61**	**783.61**

Accumulated amortisation		
Balance at April 1, 2016	-	-
Amortisation expense	228.47	228.47
Balance at March 31, 2017	**228.47**	**228.47**
Amortisation expense	185.78	185.78
Balance as at March 31, 2018	**414.25**	**414.25**

Carrying amount		
Balance as at April 1, 2016	682.83	682.83
Balance as at March 31, 2017	554.02	554.02
Balance as at March 31, 2018	369.36	369.36

5. Investments

(₹ in lakhs)

	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
Non-current	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Trade						
Unquoted Investments (all fully paid)						
(a) Investment in subsidiary at cost						
- IP India Foundation	50,000	5.00	50,000	5.00	50,000	5.00
Total (A)	**50,000**	**5.00**	**50,000**	**5.00**	**50,000**	**5.00**
(b) Investments in equity instruments at FVTOCI:						
- Andhra Pradesh Gas Power Corporation Limited, equity shares of ₹ 10 each	1,340,000	1,459.50	1,340,000	1,006.14	1,340,000	1,090.91
- Somar Granites Private Limited, equity shares of ₹ 10 each	30,000	3.00	30,000	3.00	30,000	3.00
- Kedia Distillery Limited, equity shares of ₹ 10 each	212,800	61.71	212,800	61.71	212,800	61.71
Total (B)	**1,582,800**	**1,524.21**	**1,582,800**	**1,070.85**	**1,582,800**	**1,155.62**
Gross aggregate unquoted investments (C) = (A) + (B)		**1,529.21**		**1,075.85**		**1,160.62**
Amount of impairment in value of investments:						
- Somar Granites Private Limited, equity shares of ₹ 10 each		3.00		3.00		3.00
- Kedia Distillery Limited, equity shares of ₹ 10 each		61.71		61.71		61.71
Gross amount of impairment in value of investments (D)		**64.71**		**64.71**		**64.71**
Aggregate carrying value of unquoted investments (C) - (D)		**1,464.50**		**1,011.14**		**1,095.91**

6. Loans

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Non-current			
Loans to employees			
- Unsecured, considered good	21.51	22.18	28.43
TOTAL	**21.51**	**22.18**	**28.43**
Current			
Loans to employees			
- Unsecured, considered good	137.31	121.93	141.18
TOTAL	**137.31**	**121.93**	**141.18**

7. Other financial assets

Non-Current			
a) Security Deposits			
- Unsecured, considered good	990.09	904.33	936.19
b) Others			
- Margin money deposits with banks *	-	16.35	35.85
- Interest accrued on margin money deposits with banks	-	4.07	4.93
TOTAL	**990.09**	**924.75**	**976.97**
Current			
a) Security Deposits			
- Unsecured, considered good	48.95	42.46	6.00
- Unsecured, considered doubtful	-	5.00	5.00
	48.95	**47.46**	**11.00**
Less : Allowance for doubtful deposits	-	5.00	5.00
	48.95	**42.46**	**6.00**
b) Advances to employees	8.60	4.08	25.14
c) Receivable from related parties	24.38	195.88	-
d) Others			
- Interest accrued on margin money deposits with banks	26.66	22.22	28.63
TOTAL	**108.59**	**264.64**	**59.77**

* Represents margin money deposits with maturity of more than twelve months from the balance sheet date.

8. Other assets

Non-Current			
a) Capital advances	35.83	83.97	122.03
b) Prepaid expenses	54.67	53.67	68.58
c) Balances with statutory / government authorities	2,798.10	2,772.47	864.85
TOTAL	**2,888.60**	**2,910.11**	**1,055.46**
Current			
a) Advance to suppliers			
Considered good	2,695.56	636.46	2,486.82
Considered doubtful	37.08	38.96	25.21
	2,732.64	675.42	2,512.03
Less: Provision for other doubtful loans and advances	37.08	38.96	25.21
	2,695.56	636.46	2,486.82
b) Prepaid expenses	401.79	387.24	347.08
c) Balances with statutory / government authorities	190.15	1,358.70	1,470.65
d) Others			
- Export benefits receivable	502.95	646.55	122.52
TOTAL	**3,790.45**	**3,028.95**	**4,427.07**

9. Inventories

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
(at lower of cost and net realisable value)			
(a) Raw materials	5,559.63	6,890.02	6,829.48
Add : Goods in Transit	95.62	-	138.20
(b) Work-in-progress	961.28	1,651.71	1,387.82
(c) Finished goods	1,420.51	2,444.68	5,140.35
(d) Stores and spares	7,115.82	7,293.13	7,743.74
Add : Goods in Transit	325.03	104.56	131.28
TOTAL	**15,477.89**	**18,384.10**	**21,370.87**

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

Trade receivables			
(a) Secured, considered good	3,671.65	1,919.47	1,672.63
(b) Unsecured, considered good	3,285.84	4,830.84	5,395.58
(c) Doubtful	126.10	115.92	116.03
Less: Allowance for doubtful debts (expected credit loss allowance)	126.10	115.92	116.03
TOTAL	**6,957.49**	**6,750.31**	**7,068.21**

Notes:

(i) The average credit period on sales of goods is 10 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, ₹ 852.10 lakhs (as at March 31, 2017: ₹ 517.95 lakhs; as at April 1, 2016: ₹ 708.72 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 allowance for doubtful debts

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017
Balance at beginning of the year	115.92	116.03
Movement in the allowance for doubtful debts (Net)	10.18	(0.11)
Balance at end of the year	126.10	115.92

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, 2018	As at March 31, 2017	As at April 1, 2016
a) Balances with Banks			
- in Current accounts	1,093.27	146.89	952.72
- in EEFC accounts	406.92	179.24	0.10
- in demand deposit accounts	100.00	350.00	-
b) Cheques on hand	-	-	9.02
c) Cash on hand	0.86	1.18	0.47
Cash and cash equivalents as per balance sheet	**1,601.05**	**677.31**	**962.31**
Cash and cash equivalents as per statement of cash flows	**1,601.05**	**677.31**	**962.31**

12. Other bank balances

In earmarked accounts:			
(a) Balances held as margin money or security against guarantees and other commitments	63.07	26.10	47.14
(b) Share application money received for allotment of securities and due for refund	-	0.69	0.75
(c) Unpaid dividend accounts	1.47	3.19	4.12
TOTAL	**64.54**	**29.98**	**52.01**

Note: Margin money deposits amounting to ₹ Nil (March 31, 2017: ₹ 16.35 lakhs; April 1, 2016: ₹ 35.85 lakhs) which have a maturity of more than 12 months from the Balance sheet date have been classified under other non-current financial assets (Refer Note 7).

13. Non-current tax assets (net)

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Tax assets			
Advance Tax / TDS receivable	7,324.80	4,901.31	3,825.48
Tax liabilities			
Income tax payable	6,404.68	3,646.54	2,733.06
TOTAL	**920.12**	**1,254.77**	**1,092.42**

14. Assets classified as held for sale

Fixed assets held for sale - (Also refer Note 53 (a))	656.38	2.50	65.67
TOTAL	**656.38**	**2.50**	**65.67**

15. Equity share capital

Equity share capital	3,977.00	3,977.00	3,977.00
	3,977.00	**3,977.00**	**3,977.00**
Authorised Share capital :			
40,000,000 fully paid equity shares of ₹ 10 each	4,000.00	4,000.00	4,000.00
500,000 Redeemable cumulative preference shares of ₹ 100 each	500.00	500.00	500.00
Issued and subscribed capital comprises:			
39,770,039 fully paid equity shares of ₹ 10 each (as at March 31, 2017: 39,770,039; as at April 1, 2016: 39,770,039)	3,977.00	3,977.00	3,977.00
	3,977.00	**3,977.00**	**3,977.00**

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 (₹ in lakhs)
Balance at April 01, 2016	39,770,039	3,977.00
Changes during the year	-	-
Balance at March 31, 2017	39,770,039	3,977.00
Changes during the year	-	-
Balance as at March 31, 2018	39,770,039	3,977.00

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, 2018	As at March 31, 2017	As at April 1, 2016
IP Holding Asia Singapore Pte. Limited #	-	-	29,827,529
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, 2018		As at March 31, 2017		As at April 1, 2016	
	Number of Shares	% holding of equity shares	Number of Shares	% holding of equity shares	Number of Shares	% holding of equity shares
IP Holding Asia Singapore Pte. Limited #	-	-	-	-	29,827,529	75.00
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)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
General reserve	28,876.29	28,876.29	28,876.29
Securities premium reserve	18,211.13	18,211.13	18,211.13
Reserve for equity instruments through other comprehensive income	(60.67)	(409.43)	(344.22)
Retained earnings	4,798.78	(3,458.15)	(6,594.13)
Capital redemption reserve	598.00	598.00	598.00
TOTAL	**52,423.53**	**43,817.84**	**40,747.07**

16.1 General reserve

(₹ in lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Balance at beginning of year	28,876.29	28,876.29
Movements during the year	-	-
Balance at end of year (Refer Note 50)	**28,876.29**	**28,876.29**

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 reserve

Balance at beginning of year	18,211.13	18,211.13
Movements during the year	-	-
Balance at end of year	**18,211.13**	**18,211.13**

Securities premium reserve represents the amount received in excess of the face value of the equity shares. The utilisation of the securities premium reserve is governed by the Section 52 of the Act.

16.3 Reserve for equity instruments through other comprehensive income

Balance at beginning of year	(409.43)	(344.22)
Net fair value gain / (loss) on investments in equity instruments at FVTOCI	453.36	(84.77)
Income tax on net fair value gain on investments in equity instruments at FVTOCI	(104.60)	19.56
Balance at end of year	**(60.67)**	**(409.43)**

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

Balance at beginning of year	(3,458.15)	(6,594.13)
Profit attributable to owners of the Company	8,306.71	3,239.56
Other comprehensive income / (loss) arising from remeasurement of defined benefit obligation	(76.11)	(158.40)
Related income tax	26.33	54.82
Balance at end of year	**4,798.78**	**(3,458.15)**

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

16.5 Capital redemption reserve

Balance at beginning of year	598.00	598.00
Movements during the year	-	-
Balance at end of year	**598.00**	**598.00**

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, 2018	As at March 31, 2017	As at April 1, 2016
Long-term			
Unsecured – at amortised cost			
(i) Term loans (Refer Note (i) below)			
- from banks	5,000.00	12,400.00	22,000.00
(ii) Deferred payment liabilities (Refer Note (ii) below)	1,479.58	2,027.62	2,350.63
(iii) Loans from related parties (Refer Note (iii) below)	-	-	6,050.40
TOTAL	**6,479.58**	**14,427.62**	**30,401.03**

Notes:

(i) Term loans

During the year, the Company has availed unsecured term loans from banks aggregating to ₹ 5,000 lakhs (March 31, 2017 - ₹ 22,000 lakhs; April 1, 2016 - ₹ 22,000 lakhs) outstanding at the year end ₹ 7,500 lakhs (March 31, 2017 - ₹ 22,000 lakhs; April 1, 2016 - ₹ 22,000 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%. These term loans are repayable as under:

a. Term Loan I: ₹ 15,000 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 certain quarterly installments and only ₹ 2,500 lakhs which is due next year has been disclosed as current portion of the loan (Refer Note 20).

b. Term Loan II: ₹ 7,000 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.

c. Term Loan III: ₹ 5,000 lakhs (March 31, 2017 – ₹ Nil) is payable after completing moratorium of 18 months and is repayable in 6 equal quarterly installments commencing at the end of 21st month i.e. November 2019.

(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 availment. These are interest free loans. An amount of ₹ 172.28 lakhs (March 31, 2017 – ₹ 323.01 lakhs; April 1, 2016 - ₹ 252.28 lakhs) is due within next twelve months and is included under the head 'Current maturities of long-term debts' disclosed under Note 20.

(iii) Loans from related parties

The Company has availed unsecured foreign currency loan from International Paper Investments (Luxembourg) S.à r.l at interest rate of 6 month Libor plus 250 basis points repayable in six half-yearly instalments commencing from June 30, 2015. USD Nil equivalent ₹ Nil is outstanding as on March 31, 2018 (March 31, 2017 - USD 4 Million equivalent ₹ 2,594.20 lakhs; April 1, 2016 - USD 8 million equivalent ₹ 5,300.80 lakhs).

18. Borrowings

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Short-term			
Unsecured – at amortised cost			
a) Loans repayable on demand			
- from banks - Refer Note (ii) below	2,000.00	2,000.00	347.79
b) Short-term loans from banks	-	5,000.00	2,000.00
c) Loans from related parties - Refer Note (iii) below	7,600.00	-	-
d) Short-term loans from others	-	-	9,000.00
Secured – at amortised cost			
(a) Loans repayable on demand			
- from banks - Refer Note (i) below	2,000.00	2,000.00	3,000.00
TOTAL	**11,600.00**	**9,000.00**	**14,347.79**

Notes:

(i) 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 8.30%. 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, JP Morgan during the year at interest rates ranging from 4.11% to 8.50%.

(iii) Unsecured loan availed from International Paper (India) Private Limited at interest rate of 6.7% aggregating ₹ 7,600 lakhs during the year is outstanding as on March 31, 2018. (March 31, 2017 - ₹ Nil; April 1, 2016 - ₹ Nil)

19. Trade payables

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Trade payables (Refer Note 40)	13,231.00	13,812.54	15,379.90
TOTAL	**13,231.00**	**13,812.54**	**15,379.90**

20. Other financial liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Non-current			
- Finance lease obligations	691.31	888.49	1,071.06
TOTAL	**691.31**	**888.49**	**1,071.06**
Current			
a) Current maturities of long-term debt	2,672.28	12,517.21	2,902.68
b) Current maturities of finance lease obligations	197.17	182.57	169.04
c) Interest accrued	21.22	31.62	51.29
d) Unclaimed dividends	1.47	3.19	4.12
e) Unpaid matured deposits and interest accrued thereon	-	0.89	0.89
f) Others :			
(i) Trade / security deposits received	2,361.91	2,315.52	2,062.33
(ii) Payables on purchase of fixed assets	579.98	602.70	970.54
(iii) Contractually reimbursable expenses	79.75	91.43	100.13
(iv) Foreign currency forward contracts designated in hedge accounting relationships	-	-	10.35
(v) Unclaimed application money received for allotment of securities and due for refund	-	0.69	0.75
TOTAL	**5,913.78**	**15,745.82**	**6,272.12**

21. Provisions

Non-current			
Employee benefits:			
- Compensated absences	147.10	353.45	144.70
- Gratuity	207.79	92.93	150.68
TOTAL	**354.89**	**446.38**	**295.38**
Current			
Provisions:			
For contingencies (Refer Note 41)	1,090.66	1,090.66	1,090.66
For others (Disputed dues) (Refer Note 53 [b(i)]	2,357.43	2,357.43	-
TOTAL	**3,448.09**	**3,448.09**	**1,090.66**

22. Other current liabilities

a) Advances from customers	306.82	286.76	172.63
b) Other Payables			
- Statutory remittances	419.82	704.04	854.04
- Others*	1,083.82	910.28	826.91
TOTAL	**1,810.46**	**1,901.08**	**1,853.58**

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

23. Deferred tax liabilities (net)

Deferred tax liabilities (net)	14,197.09	13,080.76	11,971.65
MAT credit entitlement	(4,462.78)	(5,083.39)	(4,169.91)
Deferred tax liabilities (net)	**9,734.31**	**7,997.37**	**7,801.74**

2017-2018	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	MAT Credit utilization	Closing balance
Deferred tax (liabilities) /assets in relation to:					
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
TOTAL	**(7,997.37)**	**(1,059.64)**	**(78.26)**	**(599.04)**	**(9,734.31)**

2016-2017	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	MAT Credit utilization	Closing balance
Deferred tax (liabilities) /assets in relation to:					
Property, plant and equipment	(16,027.63)	81.27	-	-	(15,946.36)
Disallowances under Income Tax Act, 1961, allowed on payment basis	1,150.16	(541.39)	-	-	608.77
Unabsorbed depreciation carried forward	2,626.69	(703.68)	-	-	1,923.01
Longterm capital loss carried forward	22.53	-	-	-	22.53
Financial assets at FVTOCI	103.24	-	19.56	-	122.80
Provision for doubtful debts	68.43	(9.58)	-	-	58.85
Remeasurement of defined benefit plans	-	-	54.82	-	54.82
Others	84.93	(10.11)	-	-	74.82
MAT Credit	4,169.91	913.48	-	-	5,083.39
TOTAL	**(7,801.74)**	**(270.01)**	**74.38**	**-**	**(7,997.37)**

24. Revenue from operations

(₹ in lakhs)

	Year ended March 31, 2018	Year ended March 31, 2017
(a) Sale of products - (Refer Note (i) below and Note 52)	125,981.91	120,099.17
(b) Other operating revenues - (Refer Note (ii) below)	1,998.31	2,994.69
TOTAL	**127,980.22**	**123,093.86**
Notes:		
(i) Sale of products comprise of sale of paper and paperboard		
(ii) Other operating revenues comprise:		
Sale of saplings	65.31	191.29
Duty draw back on exports	911.73	1,164.34
Incidental charges recovered from customers	461.09	1,343.96
Sale of scrap	560.18	295.10
TOTAL	**1,998.31**	**2,994.69**

25. Other income

a) Interest income earned on financial assets that are not designated as fair value through profit or loss	6.06	5.61
b) Interest income	236.13	30.97
c) Gain on disposal of property, plant and equipment (net)	-	27.15
d) Insurance and other claims	56.16	130.23
e) Liabilities / provisions no longer required written back	20.00	329.12
f) Miscellaneous Income	211.05	73.04
TOTAL	**529.40**	**596.12**

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

Inventories at the beginning of the year		
- Work-in-progress	1,651.71	1,387.82
- Finished goods	2,444.68	5,140.35
	4,096.39	6,528.17
Inventories at the end of the year		
- Work-in-progress	961.28	1,651.71
- Finished goods	1,420.51	2,444.68
	2,381.79	4,096.39
Changes in Inventories	1,714.60	2,431.78
Duties on increase / (decrease) of finished goods	(63.94)	(37.64)
TOTAL	**1,650.66**	**2,394.14**

27. Employee benefits expense

(₹ in lakhs)

	Year ended March 31, 2018	Year ended March 31, 2017
Salaries and wages	13,057.08	11,835.53
Contribution to provident and other funds	806.69	727.15
Performance share plan expense (Refer Note 51)	89.18	78.59
Cost of deputed personnel	112.32	100.18
Staff welfare expenses	1,154.90	1,180.24
TOTAL	**15,220.17**	**13,921.69**

28. Finance costs

Interest on bank overdrafts and loans (other than those from related parties)	1,860.49	2,866.77
Interest on loans from related parties	175.61	126.98
Other interest expense	510.78	273.66
Bank and finance charges	62.11	91.66
TOTAL	**2,608.99**	**3,359.07**

The weighted average capitalisation rate on funds borrowed generally is 7.51 % per annum (2016-2017: 8.43 % per annum).

29. Depreciation and amortisation expense

Depreciation of property, plant and equipment (Refer Note 3)	6,395.56	6,774.32
Amortisation of intangible assets (Refer Note 4)	185.78	228.47
TOTAL	**6,581.34**	**7,002.79**

30. Other expenses

Consumption of stores, spares and chemicals	17,213.89	15,168.20
Power, fuel and water	9,370.08	8,646.21
Repairs and maintenance		
- Buildings	843.39	579.88
- Plant and machinery	3,825.60	3,310.10
- Others	247.72	234.93
Conversion / processing charges	382.87	391.28
Forwarding, transportation and other sales expenses	2,213.43	3,127.24
Rates and taxes	469.62	298.97
Royalty	427.94	279.66
Rent	474.48	496.16
Insurance	464.42	300.71
Legal and professional charges	1,024.24	547.01
Provision for doubtful trade receivables and advances	11.75	21.40
Bad trade receivables and advances written-off	0.29	1.67
Exchange differences (net)	39.82	26.23
Payment to auditors (Refer Note 39)	72.38	64.64
Loss on disposal of property, plant and equipment (net)	420.09	-
Miscellaneous expenses	1,645.97	1,695.50
TOTAL	**39,147.98**	**35,189.79**

31. Tax expense

A. Amounts recognised in profit or loss

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

Particulars		
Current Tax	3,279.32	913.48
Deferred tax	1,059.64	270.01
Total income tax expense recognised	**4,338.96**	**1,183.49**

ii) Income tax recognised in other comprehensive income

Deferred tax related to items recognised in OCI		
Deferred tax on fair value changes on investments in equity instruments through OCI	(104.60)	19.56
Deferred tax expense on remeasurements of defined benefit plans	26.34	54.82
Income tax income / (expense) recognised in OCI	**(78.26)**	**74.38**

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

(₹ in lakhs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Profit before tax (A)	**12,645.67**	**4,423.05**
Enacted tax rate (B)	34.61%	34.61%
Expected Tax Expenses (C=A * B)	4,376.41	1,530.73
Adjustments		
Rate change (as Company has brought forward unabsorbed depreciation), tax calculated at MAT rate	-	(316.77)
Tax effects of other adjustments	(37.45)	(30.47)
Total Adjustments - D	**(37.45)**	**(347.24)**
Tax expense recognised in profit or loss (E = C + D)	**4,338.96**	**1,183.49**

32. Contingent Liabilities and Commitments

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

(₹ in lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Claims against the Company not acknowledged as debt: - Matters under litigation			
a. Income tax matters	640.67	640.67	640.67
b. Excise duty claims disputed by the Company relating to issues of applicability, classification and valuation	5,642.97	5,696.11	5,780.49
c. Sales tax claims disputed by the Company relating to issues of applicability, royalty and discounts	556.17	481.30	485.57
d. Electricity duty towards consumption of energy generated by captive power unit	1,571.62	1,571.62	4,983.22
e. Other matters (third party claims, interest on royalty, ex-employees claims etc.,)	2,066.05	2,052.83	1,491.72

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:

i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	2,080.38	626.34	700.20
ii) Export Commitment under Export Promotion Capital Goods (EPCG) scheme	-	-	9,713.04

33. Employee Benefits

A. Defined contribution plans :

Provident fund:

The Company contributed ₹ 402.95 lakhs (Previous year: ₹ 399.03 lakhs) to the Provident Fund Trust maintained by the Company and ₹ 122.48 lakhs (Previous year: ₹ 119.36 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 ₹ 28.95 lakhs (Previous year: ₹ 25.85 lakhs) as an expenses 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, 2018	Year ended March 31, 2017
Current service cost	168.33	141.93
Net interest expense	1.96	(2.18)
Components of defined benefit costs recognised in statement of profit or loss	**170.29**	**139.75**
Re-measurement on the net defined benefit liability:		
- Return on plan assets (greater)/less than discount rate	(60.41)	(97.68)
- Actuarial (gains) / losses arising from experience adjustments	6.19	63.30
- Actuarial (gains) / losses arising from changes in financial assumptions	130.33	192.78
Components of defined benefit costs recognised in other comprehensive income	**76.11**	**158.40**
TOTAL	**246.40**	**298.15**

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, 2018	As at March 31, 2017	As at April 1, 2016
Present value of defined benefit obligation	2,498.49	2,410.85	2,242.00
Fair value of plan assets	2,290.70	2,317.92	2,091.32
Net liability arising from defined benefit obligation	**(207.79)**	**(92.93)**	**(150.68)**

Movements in the present value of the defined benefit obligation are as follows:

(₹ in lakhs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Opening defined benefit obligation	**2,410.85**	**2,242.00**
Current service cost	168.33	141.93
Interest cost	160.00	163.65
Actuarial (gains) / losses arising from experience adjustments	6.19	63.30
Actuarial (gains) /losses arising from changes in financial assumptions	130.33	192.78
Benefits paid	(377.21)	(392.81)
Closing defined benefit obligation	**2,498.49**	**2,410.85**

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

Opening fair value of plan assets	**2,317.92**	**2,091.32**
Interest income	158.04	165.83
Contributions from the employer	131.54	355.90
Return on plan assets (greater)/less than discount rate	60.41	97.68
Benefits paid	(377.21)	(392.81)
Closing fair value of plan assets	**2,290.70**	**2,317.92**

Composition of plan assets:

Particulars	As at March 31, 2018	As at March 31, 2017
Insurer managed funds	100.00%	100.00%
	100.00%	**100.00%**

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

	March 31, 2018	March 31, 2017	April 1, 2016
Discount rate	7.70%	7.20%	8.00%
Estimated rate of return on plan assets	7.50%	7.50%	7.50%
Salary escalation rate	Sr.staff - 7.00% Jr. staff & Workers 6.00%	Sr.staff - 6.00% Jr. staff & Workers 5.00%	Sr.staff - 6.00% Jr. staff & Workers 1.00% for first 3 years 5.00% thereafter
Mortality rate	Indian Assured Lives Mortality (IALM) (2006-08) Ult. Modified	Indian Assured Lives Mortality (IALM) (2006-08) Ult. Modified	Indian Assured Lives Mortality (IALM) (2006-08) Ult. Modified

Particulars	March 31, 2018		March 31, 2017		April 1, 2016	
Attrition rate	Age	Rate p.a	Age	Rate p.a	Age	Rate p.a
	21-30	5%	21-30	5%	21-30	5%
	31-40	3%	31-40	3%	31-40	3%
	41 & Above	2%	41 & Above	2%	41 & Above	2%

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, 2018	March 31, 2017	April 1, 2016
Sensitivity Analysis – DBO at the end of the year			
Discount rate + 100 basis points	(149.55)	(131.95)	(109.06)
Discount rate – 100 basis points	171.53	150.29	123.04
Salary rate + 1%	171.44	151.52	126.22
Salary rate – 1%	(152.13)	(135.28)	(113.68)
Attrition rate + 1%	8.14	15.22	20.26
Attrition rate – 1%	(9.28)	(17.15)	(22.47)

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.

(₹ in lakhs)

	Gratuity plan		
	March 31, 2018	March 31, 2017	April 1, 2016
Weighted average duration of DBO	8 years	8 years	7 years
Expected cash flows			
1. Expected employer contribution in the next year	60.38	-	-
2. Expected benefit payments			
Year 1	317.58	286.11	327.51
Year 2	288.33	405.34	340.71
Year 3	382.18	285.85	383.97
Year 4	329.41	378.79	259.97
Year 5	284.80	308.82	353.02
Beyond 5 years	1,529.47	1,387.14	1,294.91

34. Segment reporting

Operating Segments

The Chairman and 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, 2018	Year ended March 31, 2017
India	103,021.65	99,016.88
Outside India	22,960.26	21,082.29
TOTAL	**125,981.91**	**120,099.17**

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
IP Holding Asia Singapore Pte. Limited (Up to June 22, 2016)

(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, 2018	Year ended March 31, 2017
Professional charges – Income	International Paper (India) Private Limited	163.11	186.55
Professional charges - Management contracts	International Paper (India) Private Limited	123.00	110.86
Royalty expenses	International Paper Company, USA	427.94	279.66
Managerial remuneration	Key Management Personnel (Refer Note (i) below)	-	53.00
Loan received	International Paper (India) Private Limited	8,600.00	-
Loan repaid	International Paper (India) Private Limited	1,000.00	3,400.00
Foreign currency loan paid	International Paper Investments (Luxembourg) S.à r.l.	2,596.50	2,718.20
Interest paid on foreign currency loan	International Paper Investments (Luxembourg) S.à r.l.	41.26	126.98
Interest paid on loan	International Paper (India) Private Limited	134.35	72.38
Expenses to be reimbursed - Performance Share Plan	International Paper Company, USA	89.18	78.59
Contribution towards provident fund	The Employees Provident Fund of APPM Limited	402.95	399.03
Contribution towards CSR expenses	IP India Foundation	9.10	15.00

c. Amounts due from / due to related parties

(₹ in lakhs)

Particulars	Name of the related party	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Due to related parties				
Interest payable on Foreign currency loan	International Paper Investments (Luxembourg) S.à r.l.	-	18.80	39.34
Foreign currency loan payable	International Paper Investments (Luxembourg) S.à r.l.	-	2,594.20	5,300.80
Loan payable	International Paper (India) Private Limited	7,600.00	-	3,400.00
Trade payables	International Paper (India) Private Limited	41.77	116.40	-
	International Paper Company, USA	190.73	66.33	63.17
Payable towards performance share plan	International Paper Company, USA	167.78	78.59	-
Due from related parties				
Other Receivables	International Paper (India) Private Limited	24.38	195.88	-

Notes:

(i) The remuneration was paid in his capacity as independent professional appointed by the Company, who possesses requisite professional qualifications with expert knowledge in his field of profession.

(ii) In respect of certain borrowings (refer Note 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, 2018	As at March 31, 2017	As at April 1, 2016	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Not later than one year	268.25	268.25	268.25	248.37	248.37	248.37
Later than one year and not later than five years	804.75	1,073.00	1,073.00	640.11	822.69	822.69
Later than five years	-	-	268.25	-	-	169.04
	1,073.00	**1,341.25**	**1,609.50**	**888.48**	**1,071.06**	**1,240.10**
Less: Future finance charges	(184.52)	(270.19)	(369.40)	-	-	-
Present value of minimum lease payments	**888.48**	**1,071.06**	**1,240.10**	**888.48**	**1,071.06**	**1,240.10**

(₹ in lakhs)

Included in the financial statements as	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
- Current Finance Lease obligations (Refer Note 20)	197.17	182.57	169.04
- Non-Current Finance Lease obligations (Refer Note 20)	691.31	888.49	1,071.06
TOTAL	**888.48**	**1,071.06**	**1,240.10**

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:

Particulars			
Not later than one year	37.60	37.60	37.60
Later than one year and not later than five years	166.06	203.66	197.39
Later than five years	328.98	328.98	372.85

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, 2018	Year ended March 31, 2017
Profit for the year (In ₹ Lakhs)	8,306.71	3,239.56
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 (₹)	20.89	8.15

39. Payments to Auditors

(₹ in lakhs)

Statutory audit fees	50.00	40.00
Limited Review fees	12.00	12.00
Tax audit fees	8.00	8.00
Certification fees	1.50	2.50
Out of pocket expenses and others	0.88	2.14
TOTAL	**72.38**	**64.64**

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, 2018	As at March 31, 2017	As at April 1, 2016
(i) Principal amount remaining unpaid to supplier at the end of the year	83.21	112.03	74.53
(ii) Interest due thereon remaining unpaid to supplier at the end of the year	7.48	5.63	4.29
(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	7.48	5.63	4.29

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:

Opening balance	1,090.66	1,090.66	1,631.48
Provision made during the year	-	-	-
Amounts utilized / reversed during the year	-	-	(540.82)
Closing balance	**1,090.66**	**1,090.66**	**1,090.66**

42. Category-wise classification of Financial Instruments

The carrying value of financial instruments by categories as at March 31, 2018, March 31, 2017 and April 1, 2016 is as follows:

(₹ in lakhs)

Particulars	Fair value hierarchy	Carrying Value #		
		As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
FINANCIAL ASSETS				
Measured at amortised cost				
(i) Cash and cash equivalents	Level 2	1,601.05	677.31	962.31
(ii) Other bank balances	Level 2	64.54	29.98	52.01
(iii) Trade receivables	Level 2	6,957.49	6,750.31	7,068.21
(iv) Loans *	Level 2	158.82	144.11	169.61
(v) Investments	Level 2	5.00	5.00	5.00
(vi) Other financial assets**	Level 2	1,098.68	1,189.39	1,036.74
Measured at FVTOCI				
Investments in equity instruments	Level 3	1,459.50	1,006.14	1,090.91
TOTAL FINANCIAL ASSETS		**11,345.08**	**9,802.24**	**10,384.79**
FINANCIAL LIABILITIES				
Measured at amortised cost				
(i) Borrowings (including current maturities of long term debt)	Level 2	20,751.86	35,944.83	47,651.50
(ii) Trade payables	Level 2	13,231.00	13,812.54	15,379.90
(iii) Other financial liabilities ***	Level 2	3,932.81	4,117.10	4,440.50
TOTAL FINANCIAL LIABILITIES		**37,915.67**	**53,874.47**	**67,471.90**

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 payable 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, 2017.

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, 2018	March 31, 2017	March 31, 2016				
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, ₹ 1,459.50 lakhs	1.84% equity investment in Andhra Pradesh Gas Power Corporation Limited engaged in generation and distribution of power and domiciled in India, ₹ 1,006.14 lakhs	1.84% equity investment in Andhra Pradesh Gas Power Corporation Limited engaged in generation and distribution of power and domiciled in India, ₹ 1,090.91 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 15.78% (As at March 31, 2017: 14.72%; As at April 1, 2016 – 14.37%)	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:

i. 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 ₹ 131.83 lakhs and ₹ (113.99) lakhs respectively [as at March 31, 2017: increase/(decrease) by ₹ 99 lakhs and ₹ (84.57) lakhs; as at April 1, 2016: increase/(decrease) by ₹ 110.12 lakhs and ₹ (93.64) lakhs respectively].

ii. 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 ₹ (97.35) lakhs and ₹ 112.48 lakhs respectively (as at March 31, 2017: (decrease) / increase by ₹ (71.95) lakhs and ₹ 83.58 lakhs; as at April 1, 2016: (decrease) / increase by ₹ (80.11) lakhs and ₹ 93.61 lakhs respectively).

iii. 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.

iv. Reconciliation of Level 3 fair value measurements:

(₹ in lakhs)

Investments in unquoted equity instruments at FVTOCI	Year ended March 31, 2018	Year ended March 31, 2017
Opening balance	1,006.14	1,090.91
Total gain or losses:		
- in other comprehensive income	453.36	(84.77)
Purchases	-	-
Sold	-	-
Closing balance	**1,459.50**	**1,006.14**

45. Financial Risk Management and Capital Management

The Company's business activities are exposed to a variety of financials 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, 2018 would decrease/increase by ₹ 103.76 lakhs (for the year ended March 31, 2017: decrease/ increase by ₹ 179.72 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, 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 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, 2018 and March 31, 2017. 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, 2018, March 31, 2017 and April 1, 2016:

(₹ 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
March 31, 2018					
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	-	-	-
March 31, 2017					
Trade payables	13,812.54	13,812.54	-	-	-
Payables for purchase of fixed assets	602.70	602.70	-	-	-
Borrowings	35,944.83	21,517.21	14,427.62	-	-
Other financial liabilities*	3,514.40	3,514.40	-	-	-
April 1, 2016					
Trade payables	15,379.90	15,379.90	-	-	-
Payables for purchase of fixed assets	970.54	970.54	-	-	-
Borrowings	47,651.50	17,250.47	30,401.03	-	-
Other financial liabilities*	3,469.96	3,469.96	-	-	-

* Other financial liabilities include deposits received from customers amounting to ₹ 2,361.91 lakhs (March 31, 2017: ₹ 2,315.52 lakhs; April 01, 2016: ₹ 2,062.33 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, 2018 (All figures in lakhs):

Particulars	GBP	USD	EURO	₹
Assets				
Trade Receivables	-	26.15	-	1,704.40
Cash and cash equivalents	-	6.24	-	406.92
Liabilities				
Trade payables	0.03	5.87	3.85	697.14
Advances received from customers	-	0.16	-	10.45

As at March 31, 2017 (All figures in lakhs):

Particulars	GBP	USD	EURO	₹
Assets				
Trade Receivables	-	19.16	-	1,242.37
Cash and cash equivalents	-	2.76	-	179.24
Liabilities				
Trade payables	0.03	11.44	3.47	984.53
Advances received from customers	-	0.01	-	0.97
Term loans	-	40.00	-	2,594.20
Interest payable	-	0.29	-	18.80

As at April 1, 2016 (All figures in lakhs):

Assets				
Trade Receivables	-	23.94	-	1,585.88
Cash and cash equivalents	-	0.0001	-	0.10
Liabilities				
Trade payables	0.02	10.43	3.37	946.78
Advances received from customers	-	0.01	-	0.99
Term loans	-	80.00	-	5,300.80
Interest payable	-	0.62	-	41.02

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 ₹ 26.36 lakhs loss in the Statement of Profit and Loss (Year ended March 31, 2017 - ₹ 29.82 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, 2018	As at March 31, 2017	As at April 1, 2016
Long term borrowings, current maturities of long-term debt and short term borrowings	20,751.86	35,944.83	47,651.50
Cash and cash equivalents (including other bank balances)	(1,665.59)	(707.29)	(1,014.32)
Net debt - (A)	**19,086.27**	**35,237.54**	**46,637.18**
Equity – (B)	**56,400.53**	**47,794.84**	**44,724.07**
Net debt to equity ratio – (A)/(B)	0.34	0.73	1.04

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, 2018	Year ended March 31, 2017
Other expenses (including net exchange differences)	(25.04)	11.60

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, 2017: ₹ Nil).

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

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

During the previous year, the shareholders have approved the Scheme in the Court convened meeting.

Necessary approvals from NCLT as aforesaid are awaited, pending which, no adjustments as envisaged by the Scheme have been made in these accounts.

51. Performance Share Plan - Restricted Stock Units

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. During the year, an amount of ₹ 89.18 lakhs (March 31, 2017: ₹ 78.59 lakhs) is recorded as compensation cost in the Statement of Profit and Loss. However, no other details are available with the Company with respect to the disclosures required to be made as per the "Ind AS 102 - Employee Share-based Payments", issued by the Institute of Chartered Accountants of India.

52. The Government of India introduced the Goods and Services tax (GST) with effect from July 01, 2017. Accordingly, in compliance with Indian Accounting Standard (Ind AS) 18 – "Revenue", Revenue from Operations for the period beginning July 01, 2017 to March 31, 2018 is presented net of GST. Revenue from Operations of earlier periods included Excise duty which now is subsumed in GST.

53. Exceptional items

a. 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 has been disclosed as an Exceptional Item in the Statement of Profit and Loss.

b. During the year ended March 31, 2017:

(i). In the previous year, 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 previous year. 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 previous year towards the potential liability in the event of an unfavourable verdict in this matter, which amount was disclosed as an exceptional item. Additionally, an amount of ₹ 1,571.62 lakhs has been disclosed as 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.

(ii). The Company had in the earlier years made an application for the refund of excise duty on cash discounts, freight rebates and quantity discounts extended to the dealers post clearance through the issue of credit notes. Based on the favourable orders of the Hon'ble High Court of Andhra Pradesh dated February 19, 2014 and July 1, 2015, a major portion of refund of duty was sanctioned to the Company in July 2015 and August 2016 and also a small portion of refund was received in the earlier years as well. On appeal made by the Department of Central Excise and Customs, the Hon'ble Supreme Court vide its order dated August 29, 2016 ruled in favour of the Department. Consequently, the Company had created a provision of ₹ 461.16 lakhs during the year ended March 31, 2017, which was disclosed as an Exceptional item.

54. Transition to Ind AS

For periods up to and including the year ended March 31, 2017, the Company had prepared its financial statements in accordance with the Standards as per Companies (Accounting Standards) Rules, 2006, notified under section 133 of the Act ("Previous GAAP" / "IGAAP"). The Company's financial statements for the year ended March 31, 2018 are prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Act read together with the Companies (Indian Accounting Standards) Rules, 2015 as amended. The adoption of Ind AS was carried out in accordance with Ind AS 101 First time Adoption of Indian Accounting Standards, using April 1, 2016 as the transition date. Ind AS 101 requires that all Ind AS standards and interpretations that are issued and effective for the first Ind AS financial statements be applied consistently and retrospectively for all financial years presented. Accordingly, the Company has prepared financial statements which comply with Ind AS for the year ended March 31, 2018, together with the comparative information as at and for the year ended March 31, 2017 and the opening Ind AS Balance Sheet as at April 1, 2016, the date of transition to Ind AS.

In preparing these financial statements, the Company has availed certain exemptions and exceptions in accordance with Ind AS 101 as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at transition date under Ind AS and Previous GAAP have been recognised directly in equity [retained earnings or another appropriate category of equity]. This note explains the principal adjustments made by the Company in restating its financial statements prepared under previous GAAP, including the Balance Sheet as at April 1, 2016 and the financial statements as at and for the year ended March 31, 2017.

A. Exemption from full retrospective application

i. Estimates: As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the Previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under Previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

a. Fair valuation of financial instruments carried at FVTPL.

b. Determination of the discounted value for financial instruments carried at amortised cost.

c. Impairment of financial assets based on the expected credit loss model.

ii. Classification and measurement of financial assets: Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

iii. Government Loans: The Company has applied the requirements in Ind AS 109, Financial Instruments, and Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance, prospectively to the government loan that existed as at the date of transition to Ind AS i.e. April 1, 2016. Consequently, the carrying amount of such interest – free loans as per the financial statements of the Company prepared under Previous GAAP have been considered for recognition in the opening Ind AS Balance Sheet.

B. Exemption from retrospective application:

i. Past business combinations: The Company has elected not to apply Ind AS 103 Business Combinations retrospectively to past business combinations that occurred before the transition date of April 1, 2016.

ii. Deemed cost for property, plant and equipment, investment property, and intangible assets: The Company has elected to continue with the carrying value of all of its plant and equipment and intangible assets recognised as of April 1, 2016 (transition date) measured as per the Previous GAAP and use that carrying value as its deemed cost as of the transition date.

c. Transition to Ind AS – Reconciliations:

The following reconciliations provide a quantification of the effect of significant differences arising from the transition from Previous GAAP to Ind AS in accordance with Ind AS 101:

i. Reconciliation of Equity as previously reported under previous IGAAP to Ind AS

ii. Reconciliation of Total Comprehensive Income for the year ended March 31, 2017; and

iii. Material adjustment to Statement of cash flows

(i) Reconciliation of total equity as at March 31, 2017 and April 1, 2016

(₹ in lakhs)

Particulars	Note	April 1, 2016	March 31, 2017
Total Equity as per previous GAAP		45,094.39	48,224.96
Adjustments (net of tax):			
Provision for expected credit losses on trade receivables	a	(0.41)	(0.34)
Effective interest rate on deposits	b	(2.79)	(3.10)
Effect of lease rental - straight lining	d	82.13	94.61
Effect of measuring derivatives at fair value	e	(0.34)	-
Effect of financial lease	h	(104.69)	(111.86)
Fair valuation of equity investments through other comprehensive income	f	(344.22)	(409.43)
Total adjustment to equity		**(370.32)**	**(430.12)**
Total equity as per Ind AS		**44,724.07**	**47,794.84**

(ii) Reconciliation of Total Comprehensive Income for the year ended March 31, 2017

(₹ in lakhs)

Particulars	Note	For the year ended March 31, 2017
Net profit after tax as reported under previous GAAP		**3,130.57**
Reclassification of Actuarial (gains)/losses arising in respect of the employees benefit scheme to Other Comprehensive Income (OCI)	g	158.40
Others		8.27
Tax adjustments on above		(57.68)
Net profit after tax as reported under Ind AS		**3,239.56**
Other comprehensive income / (loss) (net of tax)	f, g	(168.79)
Total Comprehensive income for the period as reported under Ind AS		**3,070.77**

(iii) There were no material differences between the Statement of cashflows presented under Ind AS and the previous GAAP.

Effect of Ind AS adoption on the Balance Sheet as at March 31, 2017 and April 1, 2016

(₹ in lakhs)

	Particulars	Note	As at March 31, 2017			As at April 1, 2016		
			Amount as per Previous GAAP	Effect of transition to Ind AS	Ind AS	Amount as per Previous GAAP	Effect of transition to Ind AS	Ind AS
	ASSETS							
(1)	**Non-current assets:**							
	(a) Property, plant and equipment	h	78,374.46	900.00	79,274.46	81,364.65	1,080.00	82,444.65
	(b) Capital work-in-progress		251.08	-	251.08	1,713.57	-	1,713.57
	(c) Intangible assets		554.02	-	554.02	682.83	-	682.83
	(d) Financial assets							
	(i) Investments	f	1,543.37	(532.23)	1,011.14	1,543.37	(447.46)	1,095.91
	(ii) Loans		22.18	-	22.18	28.43	-	28.43
	(iii) Other financial assets	b	958.04	(33.29)	924.75	1,015.87	(38.90)	976.97
	(e) Non-current tax assets (net)		1,254.77	-	1,254.77	1,092.42	-	1,092.42
	(f) Other non-current assets	b	2,881.56	28.55	2,910.11	1,026.91	28.55	1,055.46
	Total non-current assets		**85,839.48**	**363.03**	**86,202.51**	**88,468.05**	**622.19**	**89,090.24**
(2)	**Current assets:**							
	(a) Inventories		18,384.10	-	18,384.10	21,370.87	-	21,370.87
	(b) Financial assets							
	(i) Trade receivables	a	6,750.83	(0.52)	6,750.31	7,068.84	(0.63)	7,068.21
	(ii) Cash and cash equivalents		677.31	-	677.31	962.31	-	962.31
	(iii) Other bank balances		29.98	-	29.98	52.01	-	52.01
	(iv) Loans		121.93	-	121.93	141.18	-	141.18
	(v) Other financial assets		264.64	-	264.64	59.77	-	59.77
	(c) Other current assets	b	3,028.95	-	3,028.95	4,420.98	6.09	4,427.07
	Total current assets		**29,257.74**	**(0.52)**	**29,257.22**	**34,075.96**	**5.46**	**34,081.42**
	Assets classified as held for sale		2.50	-	2.50	65.67	-	65.67
			29,260.24	**(0.52)**	**29,259.72**	**34,141.63**	**5.46**	**34,147.09**
	TOTAL ASSETS		**115,099.72**	**362.51**	**115,462.23**	**122,609.68**	**627.65**	**123,237.33**
	EQUITY AND LIABILITIES							
	EQUITY:							
	(a) Equity share capital		3,977.00	-	3,977.00	3,977.00	-	3,977.00
	(b) Other equity	a, b, d, e, h, f	44,247.96	(430.12)	43,817.84	41,117.39	(370.32)	40,747.07
	Total Equity		**48,224.96**	**(430.12)**	**47,794.84**	**45,094.39**	**(370.32)**	**44,724.07**
	LIABILITIES							
(1)	**Non-current liabilities:**							
	(a) Financials liabilities							
	(i) Borrowings		14,427.62	-	14,427.62	30,401.03	-	30,401.03
	(ii) Other financial liabilities	h	-	888.49	888.49	-	1,071.06	1,071.06
	(b) Provisions		446.38	-	446.38	295.38	-	295.38
	(c) Deferred tax liabilities (net)	c, j	8,131.12	(133.75)	7,997.37	7,918.79	(117.05)	7,801.74
	Total non-current liabilities		**23,005.12**	**754.74**	**23,759.86**	**38,615.20**	**954.01**	**39,569.21**
(2)	**Current liabilities:**							
	(a) Financial liabilities							
	(i) Borrowings		9,000.00	-	9,000.00	14,347.79	-	14,347.79
	(ii) Trade payables	d	13,957.22	(144.68)	13,812.54	15,505.50	(125.60)	15,379.90
	(iii) Other financial liabilities	e, h	15,563.25	182.57	15,745.82	6,092.73	179.39	6,272.12
	(b) Provisions		3,448.09	-	3,448.09	1,090.66	-	1,090.66
	(c) Other current liabilities	e	1,901.08	-	1,901.08	1,863.41	(9.83)	1,853.58
	Total current liabilities		**43,869.64**	**37.89**	**43,907.53**	**38,900.09**	**43.96**	**38,944.05**
	TOTAL EQUITY AND LIABILITIES		**115,099.72**	**362.51**	**115,462.23**	**122,609.68**	**627.65**	**123,237.33**

Effect of Ind AS adoption on the Statement of Profit and Loss for the year ended March 31, 2017

(₹ in lakhs)

Particulars		Note	Previous GAAP	Effect of transition to Ind AS	Ind AS
1	**Income**				
	(a) Revenue from operations	i	126,698.24	(3,604.38)	123,093.86
	(b) Other income	b, e	580.16	15.96	596.12
	Total Income		**127,278.40**	**(3,588.42)**	**123,689.98**
2	**Expenses:**				
	(a) Cost of materials consumed	h	48,990.97	(268.25)	48,722.72
	(b) Changes in inventories of finished goods and work-in-progress		2,394.14	-	2,394.14
	(c) Excise duty		5,858.14	-	5,858.14
	(d) Employee benefits expense	g	14,080.09	(158.40)	13,921.69
	(e) Finance costs	e, h	3,259.86	99.21	3,359.07
	(f) Depreciation and amortisation expense	h	6,822.79	180.00	7,002.79
	(g) Other expenses	a, b, d, i	38,797.44	(3,607.65)	35,189.79
	Total Expenses		**120,203.43**	**(3,755.09)**	**116,448.34**
3	**Profit before exceptional items and tax (1 - 2)**		**7,074.97**	**166.67**	**7,241.64**
4	Exceptional items (net)		(2,818.59)	-	(2,818.59)
5	**Profit before tax (3 + 4)**		**4,256.38**	**166.67**	**4,423.05**
6	**Tax expense**				
	(a) Current tax		913.48	-	913.48
	(b) MAT credit	c	(913.48)	913.48	-
	(c) Deferred tax	c,j	1,125.81	(855.80)	270.01
			1,125.81	**57.68**	**1,183.49**
7	**Net Profit after tax (5 - 6)**		**3,130.57**	**108.99**	**3,239.56**
8	**Other comprehensive income**				
	(i) Items that will not be reclassified to profit or loss:				
	(a) Remeasurements of the defined benefit plans	g	-	(158.40)	(158.40)
	(b) Equity instruments through other comprehensive income	f	-	(84.77)	(84.77)
	(ii) Income tax relating to the items that will not be reclassified to profit or loss	j	-	74.38	74.38
	Total other comprehensive income / (loss)		**-**	**(168.79)**	**(168.79)**
9	**Total comprehensive income (7 + 8)**		**3,130.57**	**(59.80)**	**3,070.77**

Notes to the Reconciliations:

a) **Trade Receivables -** Under Previous GAAP, provision towards impairment allowance of receivables was created in respect of specific amount for incurred losses. Under Ind AS, impairment allowance has been determined based on Expected Credit Loss model (ECL). Due to which, the Company impaired its trade receivable by ₹ 0.63 lakhs as on April 01, 2016, and consequently, ₹ 0.41 lakhs has been eliminated against retained earnings.

b) **Security Deposits -** Under Previous GAAP, interest free lease security deposits (that are refundable in cash on completion of the lease term) were recorded at their transaction value. Under Ind AS, all financial assets are required to be measured at fair value. Accordingly, the Company has fair valued these security deposits under Ind AS. Difference between the fair value and transaction value of the security deposits has been recognised as prepaid rent. Such prepaid rent is being amortised over lease period which is being partially off-set by the notional interest income recognised in security deposits.

c) Under Previous GAAP, Minimum Alternate Tax (MAT) credit was disclosed in the Balance Sheet as part of loans and advances. Under Ind AS, the same was re-classified under deferred tax liabilities (net). Accordingly, the MAT credit in the Statement of Profit and Loss has also been re-classified as deferred tax expense / gain to correspond to the Balance Sheet re-classification.

d) **Lease rental – Straight lining -** Under Previous GAAP, the Company created lease equalisation reserve for the rental straight lining of the lease arrangements with rent escalation terms. Under Ind AS, where the increase of lease rentals is in line with the expected general inflation so as to compensate the lessor for expected inflationary cost, the increases in the rentals need not be straight lined. Accordingly, the Company has reversed the provision created for the lease straight lining, net of tax thereon, against the retained earnings as on April 1, 2016.

e) **Derivative Instruments -** Under the Previous GAAP, the Company applied the requirements of Accounting Standard - 11 "The effect of changes in foreign exchange rates", to account for Forward contracts entered for hedging foreign exchange risk related to borrowings and the buyers credit.

Under Ind AS, derivatives which are not designated as hedging instruments are fair valued with resulting changes being recognised in profit or loss. Accordingly, the fair value adjustments were carried out in respect of opening contracts.

f) **Fair valuation of Investments -** Under Previous GAAP, long term investments were measured at cost less provision for diminution, other than temporary. Under Ind AS, these financial assets have been classified as FVTOCI. On the date of transition to Ind AS, these financial assets have been measured at their fair value which is lesser than the cost as per previous GAAP, resulting in a decrease in the carrying amount. The corresponding deferred taxes have also been recognised. These changes do not affect profit before tax for the year ended March 31, 2017 because the investments have been classified as FVTOCI.

g) **Re-measurement of defined benefit obligation -** Under Previous GAAP, actuarial gains and losses were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of re-measurement of the net defined benefit liability / asset which is recognised in other comprehensive income. Consequently, the tax effect of the same has also been recognised in other comprehensive income under Ind AS instead of profit or loss. The actuarial loss for the year ended March 31, 2017 was ₹ 158.40 lakhs and the tax effect thereon ₹ 54.82 lakhs was recognised in other comprehensive income.

h) **Lease arrangement -** As per Ind AS 17, "Leases", the Company has assessed certain long term arrangements in the nature of minimum guaranteed offtake embedded in a materials supply contract and classified such arrangements as finance lease.

Consequently, the amounts capitalised on account of such finance lease amounted to ₹ 900 lakhs as at March 31, 2017 (April 01, 2016 – ₹ 1,080 lakhs) and the corresponding Finance Lease Obligation was recognised under Other financial liabilities (current and non-current portion) amounting to ₹ 1,071.06 lakhs as at March 31, 2017 (April 01, 2016 - ₹ 1,240.10 lakhs). Accordingly, depreciation of ₹ 180 lakhs against the property, plant and equipment and the notional interest expense of ₹ 99.21 lakhs towards the Finance lease obligation was recognised, which was off-set by the reduction of ₹ 268.25 lakhs in materials consumed.

i) **Cash discounts on sales -** Under Previous GAAP, revenue was recognised net of trade discounts. Under Ind AS, discounts including cash discounts have been netted off from revenue. The change does not affect total equity as at March 31, 2017, profit before tax or total comprehensive income for the year ended March 31, 2017.

j) Deferred tax in respect of the above Ind AS adjustments, to the extent applicable, have also been accounted.

55. The financial statements are approved for issue by the Board of Directors on May 02, 2018.

For International Paper APPM Limited

Donald P. Devlin
Chairman & Managing Director

Anish T. Mathew
Vice President
& Chief Financial Officer

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

Place: Hyderabad
Date: May 2, 2018