LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is sent to you as a shareholder of **The Andhra Pradesh Paper Mills Limited**. If you require any clarifications about the action to be taken, you may consult your stockbroker or investment consultant or the Manager / Registrar to the Offer. In case you have recently sold your equity shares in The Andhra Pradesh Paper Mills Limited, please hand over this Letter of Offer, the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the member of the stock exchange through whom the said sale was effected.

CASH OFFER AT ₹ 544.2 (Rupees five hundred and forty four rupees and twenty paisa only)

PER FULLY PAID-UP EQUITY SHARE OF FACE VALUE OF RUPEES TEN EACH

(The Offer Price is subject to final outcome of an appeal filed by the Acquirer challenging a direction of SEBI to increase the Offer Price by ₹ 130.73 per Share. On an appeal filed by the Acquirer, the Honourable Securities Appellate Tribunal has permitted the Offer to be proceeded with at the Offer Price, subject to the condition that the Acquirer deposits an amount of ₹ 11,200.3 lacs in an escrow account as security for its obligation to pay the Shareholders in the event the Acquirer's appeal were to be unsuccessful. Please refer to paragraph 8.10 of this Letter of Offer for details.)

Pursuant to Regulation 10 & Regulation 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto

TO ACQUIRE

8,567,521 fully paid-up Shares of face value ₹ 10/- each,

(representing 21.54% of the Emerging Voting Capital) **("Offer")**

OF

The Andhra Pradesh Paper Mills Limited (the "Target Company" or "APPM")

Registered office: Rajahmundry – 533 105, East Godavari District, Andhra Pradesh, India (Tel: +91-883-247 1831 Fax: +91-883-246 1764)

BY

IP Holding Asia Singapore PTE. LTD. (the "Acquirer" or "IPSING")

Registered Office/Corporate Office: 1 Robinson Rd, #17-00, AIA Tower, Singapore 048542

(Tel: +65 6535 1944 Fax: +65 6535 8577, Email: yy_leong@shooklin.com)

ALONG WITH

International Paper Company as Person Acting in Concert ("PAC" or "IPCO")

Principal Executive Office: 6400 Poplar Avenue, Memphis, Tennessee – 38197, USA Tel: +1 901 419 7000 , Fax: +1 (901) 214-0647,

Registered Office: CT Corporation System, 111 Eighth Avenue, New York, NY 10011 – USA

(Tel: +1 (212) 894-8440 Fax: +1 (212) 894-8790 Email: sharon.ryan@ipaper.com)

ATTENTION:

1. The offer is being made pursuant to Regulation 10 and Regulation 12 of the SEBI (SAST) Regulations and subsequent amendments thereto.
2. a) **The purchase of Shares by the Acquirer is subject to the Acquirer obtaining approval from the Reserve Bank of India ("RBI"), under the Foreign Exchange Management Act, 1999 (the "FEMA") and rules and regulations made thereunder for acquiring Shares validly tendered under the Offer. The Acquirer has received approval from RBI on July 12, 2011 to purchase Shares in the offer from the public shareholders of APPM including non resident Indians (and overseas corporate bodies).**

   b) If the aggregate of the valid responses to the Offer exceeds the Offer size of 8,567,521 Shares, then the Acquirer and the PAC shall accept the valid applications received on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations. As the equity shares of the Target Company are compulsorily traded in demat form, the minimum marketable lot being one (1) Share, minimum acceptance will be one (1) Share.
3. **This Offer is not conditional on any minimum level of acceptance.**
4. **Shareholders who have accepted the Offer by tendering the requisite documents, in terms of this Letter of Offer have an option to withdraw the same up to 3 (three) working days prior to the date of the closing of Offer i.e. September 21, 2011 . Requests for such withdrawals should reach the designated collection centres before the close of business hours i.e., not later than 4:00 pm.** This document has not been filed, registered or approved in any jurisdiction outside India. Recipients of this document resident in jurisdictions outside India should inform themselves of and observe any applicable legal requirements.
5. There has been no competitive bid till date.
6. If there is any upward revision in the Offer Price by the Acquirer and the PAC until the last date of revision i.e. or withdrawal of the Offer in terms of the SEBI Takeover Code, the same would be informed by way of a public announcement in the same newspapers where the original Public Announcement dated April 1, 2011 had appeared. Such revised offer price would be payable for all the equity shares of Target Company, validly tendered anytime during the Offer and accepted under the Offer.
7. **If there is a competitive bid:**

   a) **The public offers under all the subsisting bids shall close on the same date.**

   b) **As the Offer Price cannot be revised during 7 (seven) working days prior to the closing date i.e. September 15, 2011 of the Offer / bids, it would, therefore, be in the interest of the Shareholders to wait till the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly.**
8. The Form of Acceptance cum Acknowledgement and Form of Withdrawal are enclosed with this Letter of Offer.
9. **The copy of the Public Announcement, this Letter of Offer, Form of Acceptance and Form of Withdrawal will also be available on SEBI's website (www.sebi.gov.in) from the date of the Offer.**

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER
LAZARD — **Lazard India Private Limited** 20th Floor, Express Towers, Nariman Point, Mumbai- 400 021 Tel No: 022 6752 6000; Fax No: 022 6752 6060 Email: openoffer.india@lazard.com Contact Person: Mr. Ashish Ambwani	KARVY Karvy Computershare Private Limited — Karvy Computershare Private Limited Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081 Tel No: 040 4465 5000 / 2342 0815 Fax No: 040 2343 1551 E-mail: murali@karvy.com Contact Person: Mr. M. Murali Krishna / Mr. Williams
OFFER OPENS ON: SEPTEMBER 5, 2011	**OFFER CLOSES ON: SEPTEMBER 24, 2011**

SCHEDULE OF MAJOR ACTIVITIES RELATING TO THE OFFER

Activity	Original Time Schedule as per PA		Revised Time Schedule	
	Date	Day	Date	Day
Public Announcement Date	April 1, 2011	Friday	April 1, 2011	Friday
Specified Date [1]	April 8, 2011	Friday	April 8, 2011	Friday
Last date for a competitive bid	April 22, 2011	Friday	April 22, 2011	Friday
Corrigendum to the Public Announcement	NA	NA	May 23, 2011	Monday
2nd Corrigendum to the Public Announcement	NA	NA	August 10, 2011	Wednesday
3rd Corrigendum to the Public Announcement	NA	NA	August 18, 2011	Thursday
Date by which Letter of Offer to be dispatched to shareholders	May 11, 2011	Wednesday	August 30, 2011	Tuesday
Date of opening of the Offer	May 26, 2011	Thursday	September 5, 2011	Monday
Last date for revising the Offer Price	June 3, 2011	Friday	September 15, 2011	Thursday
Last date for withdrawing acceptance from the Offer	June 9, 2011	Thursday	September 21, 2011	Wednesday
Last date of closing of the Offer	June 14, 2011	Tuesday	September 24, 2011	Saturday
Last date of communicating rejection / acceptance & payment of consideration for accepted tenders	June 29, 2011	Wednesday	October 8, 2011	Saturday

[1] Specified date is only for the purpose of determining the names of the public shareholders as on such date to whom the Letter of Offer would be sent.

This Offer is made to the public Shareholders of the Target Company; accordingly the Promoters of the Target Company, the PAC and entities deemed to be acting in concert with the Acquirer and the PAC are ineligible to participate in the Offer.

RISK FACTORS:

Given below are the risks related to the transaction and the proposed Offer:

- Acceptance of Shares of APPM tendered in the Offer is subject to receipt of the following statutory approval
  - The purchase of Shares by the Acquirer is subject to the Acquirer obtaining approvals from the RBI, under the FEMA as described in detail in Section 9 of this Letter of Offer (Terms and Conditions of the offer).
- Acceptance of Shares of APPM tendered in the Offer is subject to adequate financial arrangements by Acquirer as described in detail in Section 8 of this Letter of Offer. (Offer Price and Financial Arrangements)
- In the event that either (a) the regulatory approvals are not received in a timely manner or (b) litigation leading to stay on the Offer, or (c) SEBI instructing that the Offer should not be proceeded with, the Offer process may be delayed beyond the dates indicated in the Schedule of the Major Activities of the Offer indicated in this Letter of Offer. Consequently, the payment of consideration to the public Shareholders of APPM whose Shares have been accepted in the Offer as well as the return of the Shares not accepted by the Acquirer and the PAC may also be delayed.
- Further, the Shareholders should note that after the last date of withdrawal i.e., September 21,2011 the Shareholders who have lodged their acceptances would not be allowed to withdraw their acceptance even if the acceptance of Shares under the Offer and dispatch of consideration gets delayed. The tendered Shares and documents would be held to the credit of a designated escrow account by the Registrar to the Offer in trust for the Acquirer and the PAC, till such time the process of acceptance of tenders, the payment of consideration and other Offer obligations are completed.
- The Shares tendered in the Offer will be held to the credit of a designated escrow account in trust on behalf of the Shareholders, by the Registrar to the Offer till the completion of the Offer formalities and the Shareholders will not be able to trade in such Shares. During such period there may be fluctuations in the market price of the Shares. Accordingly the Acquirer and the PAC make no assurance with respect to the market price of the Shares of APPM, which would prevail both during the Offer period and after completion of the Offer, and disclaim any responsibility with respect to any decision by the Shareholders on whether or not to participate in the Offer.
- The Acquirer and the PAC make no assurance with respect to the financial performance of APPM. The Acquirer and the PAC make no assurance with respect to their investment / divestment decisions relating to their proposed shareholding in APPM. Hence, all the Shareholders of APPM are required to exercise their own judgment and diligence in relation to the financial performance of APPM.
- In the event of non-compliance by the Acquirer and the PAC of any provisions of the SEBI (SAST) Regulations, SEBI may pass appropriate directions with regard to the acquisition of the Shares of APPM, pursuant to which the terms of offer may be appropriately modified.
- The Acquirer, the PAC and the Manager accept no responsibility for the statements made otherwise than in this Letter of Offer / the PA and anyone placing reliance on any another source of information (not released by the Acquirer, the PAC or the Manager) would be doing so at his/her own risk.
- In the event of over subscription in the Offer, the acceptance of the Shares tendered will be on a proportionate basis and will be contingent on the level of oversubscription. The unaccepted Shares will be returned to the Shareholders.
- The risk factors set forth above pertain to the acquisition and the Offer and not in relation to the present or future business or operations of APPM or the Acquirer or/the PAC or their subsidiaries or any other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in participation or otherwise by a Shareholder in the Offer. The Shareholders of APPM are advised to consult their stockbroker or investment consultant, for further risks with respect to their participation in the Offer.

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Table of Contents

1. DEFINITIONS / ABBREVIATIONS

ACQUIRER	IP HOLDING ASIA SINGAPORE PTE LTD.
BSE	BOMBAY STOCK EXCHANGE LIMITED
BN	BILLION (1 BILLION = 1,000 MILLIONS; 1 MILLION = 10 LACS)
CCEA	THE CABINET COMMITTEE ON ECONOMIC AFFAIRS
CDSL	CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED
DEPOSITORIES	COLLECTIVELY NSDL AND CDSL
DP	DEPOSITORY PARTICIPANT
ECS	ELECTRONIC CLEARING SYSTEM
FEMA	FOREIGN EXCHANGE MANAGEMENT ACT, 1999 AND THE RULES AND REGULATIONS MADE THEREUNDER
FI(S)	FINANCIAL INSTITUTION (S)
FII(S)	FOREIGN INSTITUTIONAL INVESTOR (S) (AS DEFINED UNDER THE SEBI (FOREIGN INSTITUTIONAL INVESTORS) REGULATIONS, 1995) REGISTERED WITH SEBI
FIPB	FOREIGN INVESTMENT PROMOTION BOARD
EMERGING VOTING CAPITAL	39,770,039 THE FULLY DILUTED SHARES FOR THE TARGET COMPANY AS DEFINED UNDER REGULATION 21(5) OF SEBI (SAST) REGULATIONS:
EUR	EURO
FDI	FOREIGN DIRECT INVESTMENT
FORM OF ACCEPTANCE / FOA	FORM OF ACCEPTANCE-CUM-ACKNOWLEDGEMENT
FY	UNLESS OTHERWISE STATED, A TWELVE MONTH PERIOD ENDED MARCH 31 OF THAT PARTICULAR YEAR
₹	INDIAN RUPEE
IPCO	INTERNATIONAL PAPER COMPANY OR PAC
IPSING	IP HOLDING ASIA SINGAPORE PTE. LTD
ITO	INCOME TAX OFFICE
USD/US$	UNITED STATES DOLLAR
LAC	100,000 (0.1 MILLION)
LETTER OF OFFER / LOF	THIS LETTER OF OFFER
MANAGER/ MANAGER TO THE OFFER / MERCHANT BANKER	LAZARD INDIA PRIVATE LIMITED OR LIPL
MF	MUTUAL FUNDS
MN	MILLION
NEFT	NATIONAL ELECTRONIC FUND TRANSFER
NSDL	NATIONAL SECURITIES DEPOSITORY LIMITED
NSE	THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED
NRI	A PERSON RESIDENT OUTSIDE AND WHO IS A CITIZEN OF INDIA OR A PERSON OF INDIAN ORIGIN, AS DEFINED UNDER FEMA
OCB	OVERSEAS CORPORATE BODIES AS DEFINED UNDER THE FOREIGN EXCHANGE MANAGEMENT (DEPOSIT) REGULATIONS, 2000
OFFER	OFFER MADE BY THE ACQUIRER ALONG WITH THE PAC TO ACQUIRE UPTO 8,567,521 EQUITY SHARES OF FACE VALUE ₹ 10 EACH FORMING 21.54% OF THE EMERGING VOTING CAPITAL OF THE TARGET COMPANY

OFFER OPENING DATE	**MONDAY, SEPTEMBER 5, 2011**
OFFER CLOSING DATE	**SATURDAY, SEPTEMBER 24, 2011**
OFFER PRICE	**₹ 544.2 PER SHARE (RUPEES FIVE HUNDRED AND FORTY FOUR AND TWENTY PAISE ONLY). THE OFFER PRICE IS SUBJECT TO FINAL OUTCOME OF AN APPEAL FILED BY THE ACQUIRER CHALLENGING A DIRECTION OF SEBI TO INCREASE THE OFFER PRICE BY ₹ 130.73 PER SHARE. ON AN APPEAL FILED BY THE ACQUIRER, THE HONOURABLE SECURITIES APPELLATE TRIBUNAL HAS PERMITTED THE OFFER TO BE PROCEEDED WITH AT THE OFFER PRICE, SUBJECT TO THE CONDITION THAT THE ACQUIRER DEPOSITS AN AMOUNT OF ₹ 11,200.3 LACS IN AN ESCROW ACCOUNT AS SECURITY FOR ITS OBLIGATION TO PAY THE SHAREHOLDERS IN THE EVENT THE ACQUIRER'S APPEAL WERE TO BE UNSUCCESSFUL. PLEASE REFER TO PARAGRAPH 8.10 OF THIS LETTER OF OFFER FOR DETAILS.**
OFFER SIZE	**UPTO 8,567,521 EQUITY SHARES OF ₹ 10 EACH FORMING 21.54% OF THE EMERGING VOTING CAPITAL OF THE TARGET COMPANY**
PA / PUBLIC ANNOUNCEMENT	**PUBLIC ANNOUNCEMENT FOR THE OFFER PUBLISHED ON APRIL 1, 2011 PURSUANT TO REGULATION 14 OF THE SEBI TAKEOVER CODE**
PERSON ACTING IN CONCERT (“PAC”)	**INTERNATIONAL PAPER COMPANY (‘IPCO’)** **DUE TO THE APPLICABILITY OF REGULATION 2(1)(E)(2) OF THE SEBI TAKEOVER CODE THERE COULD BE CERTAIN ENTITIES DEEMED TO BE PERSONS ACTING IN CONCERT WITH THE ACQUIRER AND THE PAC. HOWEVER, FOR THE PURPOSES OF THIS OFFER, OTHER THAN IPCO NO OTHER PERSON IS ACTING IN CONCERT WITH THE ACQUIRER**
PERSONS ELIGIBLE TO PARTICIPATE	**ALL PUBLIC EQUITY SHAREHOLDERS OF APPM WHO VALIDLY TENDER THEIR SHARES IN THE OFFER BY THE OFFER CLOSING DATE; ACCORDINGLY THE ACQUIRER, THE PROMOTERS AND ENTITIES BELONGING TO THE PROMOTER GROUP OF APPM, PAC AND ENTITIES DEEMED TO BE ACTING IN CONCERT WITH THE ACQUIRER AND PAC ARE INELIGIBLE TO PARTICIPATE IN THE OFFER**
RBI	**THE RESERVE BANK OF INDIA**
REGISTRAR TO OFFER	**THE KARVY COMPUTERSHARE PRIVATE LIMITED**
REGULATIONS	**SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENTS THERETO UPTO THE DATE OF THE PUBLIC ANNOUNCEMENT**
RTGS	**REAL TIME GROSS SETTLEMENT**
SEBI	**SECURITIES AND EXCHANGE BOARD OF INDIA**
SEBI (ICDR) REGULATIONS	**SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS SUBSEQUENT AMENDMENTS ISSUED THEREUNDER**
SEBI TAKEOVER CODE / SEBI (SAST) REGULATIONS	**SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENTS AND CIRCULARS ISSUED THEREUNDER**
SFAS	**STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS**
SHARE(S)	**FULLY PAID-UP EQUITY SHARES OF FACE VALUE OF ₹ 10/- EACH OF APPM**
SHAREHOLDER(S)	**EQUITY SHAREHOLDER OF APPM HOLDING FULLY PAID UP EQUITY SHARE OF ₹ 10/- EACH**
SPECIFIED DATE	**FRIDAY, APRIL 8, 2011**
TARGET COMPANY / APPM	**THE ANDHRA PRADESH PAPER MILLS LIMITED**

TRANSACTION	**THE TRANSACTIONS CONTEMPLATED UNDER THE SPA, AND THIS OFFER.**

Rupee Translation: Certain financial details contained in this Letter of Offer are denominated in USD and EUR. The Rupee equivalent quoted in case of USD is calculated at the quoted USD /₹ exchange rate as on March 30, 2011, namely 1 USD = ₹ 44.77 (*Source*: www.rbi.org). The Rupee equivalent quoted in case of EUR is calculated at the quoted EUR/₹ exchange rate as on March 30, 2011, namely 1 EUR = ₹ 63.02 (*Source*: www.rbi.org).

In this Letter of Offer, any discrepancies in any table between the total and sum of amounts listed are due to rounding off.

This Letter of Offer is being issued by the Manager to the Offer, on behalf of the Acquirer and the PAC pursuant to Regulation 10, Regulation 12 and other applicable provisions of the SEBI (SAST) Regulations.

2. DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF THE DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF THE ANDHRA PRADESH PAPER MILLS LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER, PAC OR THE TARGET COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT, WHILE THE ACQUIRER AND THE PAC ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY, AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER AND THE PAC DULY DISCHARGES ITS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, LAZARD INDIA PRIVATE LIMITED, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED APRIL 15, 2011 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENT (S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER AND THE PAC FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

3. DETAILS OF THE OFFER

3.1 Background of the Offer

3.1.1 This Offer is being made to the Shareholders of the Target Company by the Acquirer and the PAC as a result of direct acquisition by the Acquirer of more than 15% in the issued and paid-up share capital of the Target Company and the Acquirer directly acquiring an ability to influence the voting rights in the Target Company in terms of Regulation 10 and as a result of the acquisition of control by the Acquirer in the Target Company in terms of Regulation 12 of the SEBI (SAST) Regulations. The Offer Price is subject to final outcome of an appeal filed by the Acquirer challenging a direction of SEBI to increase the Offer Price by ₹ 130.73 per Share. On an appeal filed by the Acquirer, the Honourable Securities Appellate Tribunal has permitted the Offer to be proceeded with at the Offer Price, subject to the condition that the Acquirer deposits an amount of ₹ 11,200.3 lacs in an escrow account as security for its obligation to pay the Shareholders in the event the Acquirer's appeal were to be unsuccessful. Please refer to paragraph 8.10 of this Letter of Offer for details.

3.1.2 The Acquirer a company incorporated under the laws of Singapore having its registered office at 1 Robinson Rd, #17-00, AIA Tower, Singapore 048542 along with the PAC, a company presently incorporated under Section 807 of the Business Corporation Law of the State of New York, USA, having its principal executive office at 6400 Poplar Avenue, Memphis, Tennessee – 38197, USA, are making the Offer to the Shareholders of APPM to acquire from them up to 8,567,521 Shares representing 21.54% of the Emerging Voting Capital of APPM, at a price of ₹ 544.20 (Rupees five hundred and forty four and twenty paisa only) per Share payable in cash subject to the terms and conditions mentioned hereinafter.

3.1.3 IPCO is a global paper and packaging company with manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. Its businesses include uncoated papers and industrial and consumer packaging, complemented by xpedx, the company's North American distribution company. Headquartered in Memphis, Tennessee, the company employs about 59,500 people in more than 24 countries and serves customers worldwide. 2010 Net sales were more than USD 25 billion (approximately ₹ 11,192,500 lacs). It is listed on the New York Stock Exchange. IPSING is a private unlisted company incorporated in Singapore whose ultimate holding company is IPCO.

3.1.4 On March 29, 2011 ("**SPA Date**") the Acquirer and the PAC entered into a Share Purchase Agreement ("**SPA**") with the promoter group of APPM ("**Promoter Group Sellers**"), to acquire 21,260,008 fully paid up shares ("**Promoter Sale Shares**") forming 53.46% of the fully diluted equity share capital of APPM (the "**SPA Acquisition**") at a price of ₹ 523.00 per share ("**SPA Price**") aggregating ₹ 11,118,984,184 (the "**Promoter Sale Consideration**"), subject to receipt of requisite approvals and subject to fulfillment by parties of agreed conditions precedent to closing.

3.1.5 As per filing made with the National Stock Exchange the shareholding of the Promoter Group Sellers as on March 31, 2011:

Name of Shareholders[(1)]	**Number of Shares**	**Percentage of Shareholdings**
Alka Bangur	9,252	0.02
Alka Devi Bangur	126,390	0.32
Lakshminiwas Bangur	9,664	0.02
Lakshmi Niwas Bangur	8,090	0.02
Lakshmi Niwas Bangur	419,610	1.06
Shreeyash Bangur	28,000	0.07
Shreeyash Bangur	77,579	0.20
Surbhi Bangur	71,725	0.18
Surbhi Shreeyash Bangur	11,100	0.03
Yogesh Bangur	60,840	0.15
Yogesh Bangur	121,848	0.31
Amalgamated Development Limited	11,996	0.03
Amalgamated Development Ltd	3,000	0.01
Apurva Export Pvt Ltd	227,760	0.57
Digvijay Investments Limited	4,880,831	12.27
Digvijay Investments Limited	2,630,897	6.62
Digvijay Investments Limited	2,310,288	5.81
Maharaja Shree Umaid Mills Limited	4,240,126	10.66
Maharaja Shree Umaid Mills Limited	4,275,038	10.75
Maharaja Shree Umaid Mills Limited	60,000	0.15
Maharaja Shree Umaid Mills Limited	34,000	0.09
Mugneeram Ramcoowar Bangur Charitable & Religious Co	15,034	0.04
M B Comercial Company Limited	11,996	0.03
M B Comercial Company Limited	184,705	0.46
Placid Limited	208	0.00
Placid Limited	137,702	0.35
Sri Vithoba Investments Ltd	36	0.00
Samay Books Limited	40,242	0.10
Shree Krishna Agency Limited	2,570	0.01
The General Investment Company Limited	3,596	0.01
The Kishore Trading Company Limited	6,512	0.02
The Peria Karamalai Tea & Produce Co Ltd	56,013	0.14
The Peria Karamalai Tea & Produce Co Ltd	1,167,080	2.93
The Swadeshi Commercial Company Ltd	16,280	0.04
Total	**21,260,008**	**53.46**

[(1)]Select Shareholder names appear multiple times as Shares held under separate folios

3.1.6 The salient features of the SPA are as follows:

a) The SPA entails acquisition of 21,260,008 fully paid up shares inclusive of 1,499,330 pledged shares from the Promoter Group Sellers; the title to the pledged shares would be transferred to the Acquirer upon release of the pledge;

b) Obligation of the Acquirer and the PAC to complete the SPA Acquisition is subject to fulfillment of certain conditions precedent, including but not limited to (i) the Manager to the Offer issuing a certificate confirming fulfillment of all Offer obligations under SEBI (SAST) Regulations and (ii) the Acquirer and the PAC having obtained prior statutory approvals including approval of the RBI;

c) Under the terms of the SPA, the Acquirer, the PAC and the Promoter Group Sellers have agreed, subject to the receipt of the approval of the RBI, to implement an escrow arrangement for placing the Promoter Sale Consideration and the Promoter Sale Shares, in escrow until the date of completion of the SPA Acquisition;

d) The Covenants for the Promoter Group Sellers under the SPA include (i) to procure that the business of the Target Company is operated, until completion of the SPA Acquisition, in the ordinary course and in the same manner prior to the SPA Date; (ii) except with the prior approval of the Acquirer, the Target Company will not amend its charter documents, or allot or issue any of its securities and (iii) to use all reasonable endeavors to procure that the Acquirer's nominee director, Mr. Paul Brown, be appointed as director of the Target Company within 45 days from the SPA Date;

e) The Promoter Group Sellers have provided customary representations, warranties and indemnities intended to protect the rights of the Acquirer and the PAC under the SPA such as (i) the Shares held by the Promoter Group Sellers are fully paid-up and are free of encumbrances and the Promoter Group Sellers have good and marketable title to such Shares; and (ii) the Promoter Group Sellers have all the requisite power and authority to execute and perform the transaction contemplated under the SPA and other ancillary agreements; and

f) Subject to the receipt of the approval of the Reserve Bank of India, the Promoter Seller Group will open an escrow account in India to hold a portion of the Promoter Sale Consideration as security, for any indemnity that may become payable to the Acquirer and PAC within a period of 18 months from the completion of the SPA Acquisition

3.1.7 The Promoter Group Sellers have been the controlling shareholders and have had extensive participation in the management and operations of the Target Company for a substantial period of time, and have gained deep knowledge of and experience in the business and affairs of the Target Company. By virtue of their association with the Target Company and knowledge of its business, the Promoter Group Sellers are capable of offering competition to the business of the Target Company, which could cause irreparable harm to the Target Company, its continuing shareholders and the Acquirer and the PAC.

3.1.8 In light of the above, the Acquirer has entered into a non compete agreement with the Promoter Group Sellers ("**Non Compete Agreement**"), under the terms of which, the Promoter Group Sellers and their affiliates shall not, for a period of 3 (three) years post completion of the Transaction, compete with the business of the Target Company in the manufacturing, sale and trading of pulp and paper. In consideration for the non compete covenants of the Promoter Group Sellers the Acquirer has agreed to pay ₹ 27,795.3 lacs payable in cash ("**Non Compete Consideration**") to the Promoter Group Sellers. The Non Compete Consideration is in line with the SEBI (SAST) Regulations and is not in excess of 25% of the Offer Price.

3.1.9 The SPA and the Non Compete Agreement do not contain any restrictive covenants or any restrictive clauses which may be prejudicial to the interests of the shareholders in APPM

3.1.10 Subject to 3.2.4 below the Acquirer plans to acquire up to 100% of the validly tendered shares in the Offer. However, before the closure of the Offer if the PAC so desires it shall have the option to acquire and pay for more than 0% and up to 100% of the validly tendered Shares.

3.1.11 This Offer is being made by the Acquirer and the PAC as a result of direct acquisition of more than 15% in the issued and paid-up share capital of the Target Company and the Acquirer acquiring 53.46% of the voting rights in the Target Company in terms of Regulation 10; and as a result of acquisition of control by the Acquirer in the Target Company under the provisions of the SPA in terms of Regulation 12 of the SEBI (SAST) Regulations.

3.1.12 In view of the above, the Offer is a mandatory open offer under Regulation 10 and Regulation 12 of the SEBI (SAST) Regulations.

3.1.13 Acquirer and IPCO are said to be acting in concert on account of being parties under the SPA. Due to the applicability of Regulation 2(1) (e) (2) of the SEBI (SAST) Regulations there could be certain entities deemed to be persons acting in concert with the Acquirer and the PAC. However, for the purposes of this Offer, other than IPCO no other person is acting in concert with the Acquirer.

3.1.14 Other than as stated in this Letter of Offer, the Acquirer and the PAC have neither acquired nor have been allotted any Shares of the Target Company in the last 12 (twelve) months before the date of the Public Announcement. As on the date of the Public Announcement, the Acquirer and the PAC did not hold any Shares of the Target Company.

3.1.15 Neither the Acquirer nor the PAC have been prohibited by SEBI from dealing in securities, in terms of direction issued under Section 11B of the SEBI Act, 1992 or any other regulations made under the SEBI Act, 1992.

3.1.16 The applicable provisions of Chapter II of the SEBI Takeover Code, vis-à-vis the Target Company have been complied with by the Acquirer and the PAC.

3.1.17 Pursuant to the proposed Acquisition, the Acquirer and the PAC will be in control of the Target Company. Further, the Acquirer and the PAC reserve the right to reconstitute the board of directors of the Target Company, in accordance with the provisions contained in the SEBI Takeover Code and the Companies Act, 1956. As on date of this Letter of Offer the Acquirer does not have any director on the board of directors of APPM. However, the Acquirer intends to appoint Mr. Paul Brown as a nominee director on the board of directors of the Target Company in accordance with Regulation 22(7) of the SEBI (SAST) Regulations and the Promoter Group Sellers have agreed to use reasonable efforts to facilitate the above appointment.

3.2 Details of the Proposed Offer

3.2.1 The Public Announcement dated April 1, 2011 was published in the following newspapers, in accordance with Regulation 15 of the SEBI Takeover Code:

PUBLICATION	LANGUAGE	EDITIONS
Economic Times	English	All editions
Navbharat Times	Hindi	All editions
Vaartha	Telugu	Hyderabad

3.2.2 The Public Announcement as well as this Letter of Offer will also be available for download at the SEBI website at www.sebi.gov.in

3.2.3 IPSING together with IPCO is making this cash offer for acquisition of up to 8,567,521 Shares of APPM from the existing Shareholders of APPM representing 21.54% of Emerging Voting Capital of APPM, at a price of ₹ 544.20 (Rupees five hundred and forty four rupees and twenty paisa only) per fully paid up equity share of face value ₹ 10 each payable in cash, subject to terms and conditions mentioned hereinafter. As on the date of this Letter of Offer there are no partly paid equity shares or any other instruments convertible into equity shares. The Offer Price is subject to final outcome of an appeal filed by the Acquirer challenging a direction of SEBI to increase the Offer Price by ₹ 130.73 per Share. On an appeal filed by the Acquirer, the Honourable Securities Appellate Tribunal has permitted the Offer to be proceeded with at the Offer Price, subject to the condition that the Acquirer deposits an amount of ₹ 11,200.3 lacs in an escrow account as security for its obligation to pay the Shareholders in the event the Acquirer's appeal were to be unsuccessful. Please refer to paragraph 8.10 of this Letter of Offer for details.

3.2.4 Following consummation of this Transaction (assuming full acceptance of the Offer) described in 3.1.4 above, IPSING and IPCO together will hold up to 75% of Emerging Voting Capital of APPM. 75% is calculated as below:

Particulars	As on April 1, 2011		Post Completion of SPA/Offer	
	Number of Shares	% in APPM's current equity share capital	Number of Shares	% in APPM of Emerging Voting Capital
Number of Shares to be acquired under the SPA	-	-	**21,260,008**	**53.46%**
a. IPSING	-	-	21,260,008	53.46%
b. IPCO	-	-	0	0.0%
Number of Shares proposed to be acquired under the Offer by IPSING and IPCO, as disclosed in 3.1.10 above, if IPCO so desires it shall have the option to acquire and pay for shares acquired under the Offer.	-	-	**8,567,521**	**21.54%**
a. IPSING	-	-	8,567,521	21.54%
b. IPCO	-	-	0	0.0%
TOTAL shares held by IPSING & IPCO	-	-	**29,827,529**	**75.00%**

3.2.5 Neither IPSING nor IPCO has acquired any shares in APPM via open market transactions/other purchases between the date of the Public Announcement and this Letter of Offer.

3.2.6 The Offer is not conditional on any minimum level of acceptances by the Shareholders. The Acquirer and the PAC will acquire all the Shares of the Target Company that are validly tendered as per terms of the Offer up to a maximum of 8,567,521 Shares.

3.2.7 No competitive bids have been made till date.

3.3 Objects of the Proposed Offer

3.3.1 This Offer is being made by the Acquirer and the PAC as a result of acquisition of more than 15% in the issued and paid-up share capital of the Target Company and the Acquirer acquiring an ability to influence 53.46% of the voting rights in the Target Company in terms of Regulation 10 of the SEBI (SAST) Regulations; and as a result of acquisition of control by the Acquirer in the Target Company under the provisions of the SPA in terms of Regulation 12 of the SEBI (SAST) Regulations.

3.3.2 The Acquirer and the PAC wish to grow in the Indian paper and packaging markets and believe that the Target Company is a good platform for entry into the Indian market. Post completion of the SPA Acquisition, the Acquirer plans to explore various opportunities to grow the business of the Target Company.

4. BACKGROUND OF THE ACQUIRER

4.1 The Acquirer is a private company incorporated on 15th September, 2010 under the laws of Singapore, with its registered office at 1 Robinson Rd, #17-00, AIA Tower, Singapore 048542. Tel: +65 6535 1944 Fax: +65 6535 8577.

4.2 All shares in the Acquirer are held by IP International Holdings Inc., a subsidiary of the PAC.

4.3 Except as disclosed in this Letter of Offer there are no other agreements between the Acquirer and the PAC in relation to the Offer.

4.4 The Acquirer is an investment holding company that has been incorporated among other things, to invest in one or more companies in the South Asia region, as the board of directors of the Acquirer may decide from time to time.

4.5 As on the date of Public Announcement, IPSING did not hold any shares in the Target Company. IPSING has not acquired any stake in APPM or its subsidiaries prior to the Public Announcement for this Offer. For the purposes of this Offer, Acquirer and the PAC are acting in concert with each other to fulfill the obligations under the Offer.

4.6 The Acquirer plans to acquire up to 100% of the validly tendered Shares in the Offer. However, before the closure of the Offer if the PAC so desires it shall have the option to acquire and pay for more than 0% and up to 100% of the validly tendered Shares.

4.7 The provisions of Chapter II regulations of SEBI Takeover Code do not apply to IPSING as it does not hold any Shares in the Target Company till date.

4.8 The Directors of IPSING and their addresses as of the date of Public Announcement are as follows:

NAME/DESIGNATION/ DATE OF APPOINTMENT	EDUCATIONAL QUALIFICATION	EXPERIENCE	ADDRESS
Paul Brown, President IP Asia, September 15, 2010	Masters	During his more than 26 year career with IPCO, Paul has held various technical, manufacturing, sales and general management positions in IPCO's paper and packaging businesses in the U.S., Europe, North Africa and Asia	6400 Poplar Avenue Memphis, US
Weiwen Wang, General Counsel, IP Asia, September 15, 2010	Masters	Worked in international law firms and US based MNCs for over 15 years	3 Bukit Batok Street 25 #08-04 Singapore 658881
Dejun Yu, General Manager UFS, September 15, 2010	Masters	General Manager of Uncoated Free Sheet business of IP Asia with rich experience in business consulting in both Asia and United States	Room 2303, Block 10, No.168 Hongqiao Road Xuhui District Shanghai, China

4.9 None of the directors of IPSING have acquired any Shares of the Target Company over the last 12 (twelve) months from the date of the Public Announcement. None of the directors/ representatives of IPSING are on the board of directors of the Target Company as on the date of the Letter of Offer. The Acquirer intends to appoint Mr. Paul Brown as a nominee director on the board of directors of the Target Company in accordance with Regulation 22(7) of the SEBI (SAST) Regulations and the Promoter Group Sellers have agreed to use reasonable efforts to facilitate the above appointment.

4.10 IPSING is audited by Deloitte and Touche LLP Singapore. The regulatory authority overseeing Deloitte and Touche LLP Singapore is: ACRA (Accounting and Corporate Regulatory Authority)Auditors of IPCO are Deloitte & Touche LLP. The authority which regulates Deloitte & Touche LLP in USA **.**

4.11 Brief audited financial details for a period of last 3 (three) years as follows (IPSING was incorporated on September 15, 2010. Therefore, the financials for financial years of 2008/2009 are not available):

4.12 Profit and Loss Statement:

In USD Mn and ₹ Lacs	Fiscal year ended December 31, 2008		Fiscal year ended December 31, 2009		Fiscal year ended December 31, 2010	
	USD Mn	₹ Lacs	USD Mn	₹ Lacs	USD Mn	₹ Lacs
Income from Operations	NA	NA	NA	NA	-	-
Other Income	NA	NA	NA	NA	-	-
Total Income	NA	NA	NA	NA	-	-
Total Expenditure	NA	NA	NA	NA	3.5	1,558.8
Profit Before Depreciation, Interest and Tax	NA	NA	NA	NA	(3.5)	(1,558.8)
Depreciation	NA	NA	NA	NA	-	-
Interest Expense	NA	NA	NA	NA	0.0	0.8
Profit Before Tax	NA	NA	NA	NA	(3.5)	(1,559.6)
Taxation	NA	NA	NA	NA	-	-
Net Profit	NA	NA	NA	NA	(3.5)	(1,559.6)

4.13 Balance Sheet:

In USD Mn and ₹ Lacs	Fiscal year ended December 31, 2008		Fiscal year ended December 31, 2009		Fiscal year ended December 31, 2010	
	USD Mn	₹ Lacs	USD Mn	₹ Lacs	USD Mn	₹ Lacs
Sources of Funds						
Share Capital	NA	NA	NA	NA	10.1	4,500.7
Accumulated losses	NA	NA	NA	NA	3.5	1,559.6
Net Worth/Shareholders Equity	NA	NA	NA	NA	**6.6**	**2,941.0**
Secured Loans	NA	NA	NA	NA	-	-
Unsecured Loans	NA	NA	NA	NA	-	-
Total loans	NA	NA	NA	NA	-	-
Total	NA	NA	NA	NA	**6.6**	**2,941.0**
Uses of Funds						
Net fixed assets	NA	NA	NA	NA	-	-
Investments	NA	NA	NA	NA	-	-
Net Current Assets	NA	NA	NA	NA	6.6	2,941.0
Deferred charges	NA	NA	NA	NA	-	-
Total Misc Exp. Not written off	NA	NA	NA	NA	-	-
Total	NA	NA	NA	NA	**6.6**	**2,941.0**

4.14 Other Financial Data:

	Fiscal year ended December 31, 2008		Fiscal year ended December 31, 2009		Fiscal year ended December 31, 2010	
Dividend %	NA		NA		NA	
Earnings per Share – Basic (USD/₹)	NA	NA	NA	NA	NA	NA
Return On Net Worth %	NA		NA		NA	
Book Value Per share (USD/₹)	NA	NA	NA	NA	NA	NA

Assumes 1 USD = 44.77 ₹, based on the RBI reference rate as of March 30, 2011

Source: Audited Financials

As on December 31, 2010, the Earnings per share, Return on Net Worth, Book Value Per share, Dividend are not ascertainable

4.15 Significant accounting policies of IPSING as follows :

- BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost basis except as disclosed in the financial statements and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("**FRS**").

- ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the company has adopted all the new and revised FRSs and Interpretations of FRSs ("**INT FRSs**") that are relevant to its operations and effective from date of incorporation.

  At the date of authorization of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the group and the company were issued but not effective:

FRS 24 (Revised)	-	Related Party Disclosures
FRSs (Amendments)	-	Improvements to FRSs

Consequential amendments were also made to various standards as a result of this new/revised standard.

FRS 24 (Revised) *Related Party Disclosures*

FRS 24 (Revised) *Related Party Disclosures* is effective for annual periods beginning on or after January 1, 2011. The revised standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity. In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

The company anticipates that the adoption of the other FRSs, INT FRSs and amendments to FRS that were issued but effective only in future periods will not have a material impact on the financial statements of the company in the period of their initial adoption.

- FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognized on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Effective interest method: The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognized on an effective interest basis.

Financial assets

Cash and cash equivalents: Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets: Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets: The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity: Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments: An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities: Other payables and amounts due to related companies are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method.

Derecognition of financial liabilities: The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

- INTANGIBLE ASSETS -

  Intangible assets acquired separately: Intangible assets acquired separately are reported at cost less accumulated amortization (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The intangible asset recorded in the books is amortized over a period of 5 months.

  Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

- IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At the end of each reporting period, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

  Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

  If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

  Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

- PROVISIONS - Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

  The amount recognized 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. Where 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.

- INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

  The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

  Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

  Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss (either in other comprehensive income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer’s identifiable assets, liabilities and contingent liabilities over cost.

- FOREIGN CURRENCY TRANSACTIONS - The financial statements of the company are measured and presented in USD, which is the currency of the primary economic environment in which the entity operates (its functional currency).

  In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

  Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

4.16 As of the date of Public Announcement IPSING has no contingent liabilities and commitments

4.17 There have been no mergers/acquisitions/demergers/spin offs in last 3 years involving IPSING

4.18 As of the date of Public Announcement, IPSING has no pending litigations

4.19 The compliance officer of IPSING is Ms Weiwen Wang, General Counsel, IP Asia. The Compliance Officer can be contacted at: Tel: +86 21 6113 3200 Fax: +86 21 6113 3201 Email : weiwen.wang@ipaper.com

4.20 The Acquirer is an unlisted company. All shares in the Acquirer are held by IP International Holdings Inc., a subsidiary of the PAC.

4.21 IPSING does not have any subsidiary companies. IPSING has not promoted any company in India. IPCO the ultimate holding company of IPSING has an Indian subsidiary details of which are provided in 5.30 below.

4.22 Future Plans with regard to Target Company :

- The Acquirer and PAC do not have any plans to dispose of or otherwise encumber any assets of the Target Company in the next 2 (two) years, except in the ordinary course of business of the Target Company and except to the extent required for the purpose of restructuring and/or rationalization of assets, investments, liabilities or otherwise of the Target Company.
- The Acquirer and the PAC wish to grow in the Indian paper and packaging markets and believe that the Target Company is a good platform for entry into the Indian market. Post completion of Acquisition, the Acquirer plans to explore various opportunities to grow the business of the Target Company.
- It will be the responsibility of the board of directors of the Target Company to make appropriate decisions in these matters in accordance with the requirements of the business. Such approvals and decisions will be governed by the provisions of the relevant regulations or any other applicable laws or legislation at the relevant time. Further, the Acquirer and the PAC undertake that they shall not sell, dispose of or otherwise encumber any substantial asset of the Target Company except with the prior approval of the shareholders of the Target Company.

5. BACKGROUND OF THE PAC

5.1 IPCO is a company presently incorporated under Section 807 of the Business Corporation Law of the State of New York, USA, having its principal executive office at 6400 Poplar Avenue, Memphis, Tennessee – 38197.

5.2 IPCO was incorporated in New York on June 23, 1941 as International Paper and Power Corporation. The name was changed on September 30, 1941 to its current name.

5.3 IPCO's principal executive office is located at 6400 Poplar Avenue, Memphis, Tennessee – 38197 which serves as corporate headquarters. Tel: +1 901 419 7000, Fax: +1 (901) 214-0647. The registered address of IPCO is CT Corporation System, 111 Eighth Avenue, New York, NY 10011. Tel: +1 (212) 894-8440, Fax: +1 (212) 894-8790.

5.4 Except as disclosed in this Letter of Offer there are no other agreements between the Acquirer and the PAC in relation to the Offer.

5.5 IPCO is a global paper and packaging company that is complemented by an extensive North American merchant distribution system, with primary markets and manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. IPCO is a New York corporation, incorporated in 1941 as the successor to the New York corporation of the same name organized in 1898.

5.6 IPCO's businesses include uncoated papers and industrial and consumer packaging, complemented by xpedx, the company's North American distribution company. Headquartered in Memphis, Tennessee, the company employs about 59,500 people in more than 24 countries and serves customers worldwide. The Net sales for the year 2010 were more than USD 25 billion (approximately 11,192,500 lacs). It is listed on the New York Stock Exchange. IPCO's home page on the Internet is www.internationalpaper.com.

5.7 In the United States, at December 31, 2010, IPCO operated 20 pulp, paper and packaging mills, 144 converting and packaging plants, 19 recycling plants and 3 bag facilities. Production facilities at December 31, 2010 in Europe, Asia, Latin America and South America included 8 pulp, paper and packaging mills, 67 converting and packaging plants, and 2 recycling plants. IPCO distributes printing, packaging, graphic arts, maintenance and industrial products principally through over 224 distribution branches in the United States and 38 distribution branches located in Canada, Mexico and Asia. As of December 31, 2010, IPCO owned or managed approximately 250,000 acres of forestland in Brazil and had, through licenses and forest management agreements, harvesting rights on government owned forestlands in Russia.

5.8 For management and financial reporting purposes, IPCO's businesses are separated into five segments: Industrial Packaging; Printing Papers; Consumer Packaging; Distribution; and Forest Products. Beginning January 1, 2011, the Forest Products business will no longer be reported by the Company as a separate industry segment due to the immateriality of the results of the remaining business on the Company's consolidated financial statements. The Company's 50% equity interest in Ilim Holding S.A. is also a separate reportable industry segment.

5.9 Brief history of IPCO and some major events are summarized as under:

DATE	MAJOR EVENTS
June 1941	■ International Paper Company incorporated in New York (Incorporated as International Paper and Power Corporation and name changed on September 30, 1941 to current name).
November 1986	■ Acquired Hammermill Paper Company
November 1988	■ Acquired Masonite Corporation
1993	■ North American distribution operations consolidated as ResourceNet International (name changed to xpedx in 1998)
April 1995	■ Acquired additional 26% ownership interest in Carter Holt Harvey Limited increasing ownership to approximately 50.5%
March 1996	■ Acquired Federal Paper Board Company, Inc.
April 1998	■ Acquired Weston Paper and Manufacturing Company
April 1999	■ Acquired Union Camp Corporation
June 2000	■ Acquired Champion International Corporation, and Shorewood Packaging Corporation
November 2000	■ Sold ownership interest in Bush Boake Allen
August 2001	■ Sold Masonite business
July 2004	■ Acquired Box USA Holdings, Inc.
Aug 2005	■ Completed sale of 50.5% interest in Carter Holt Harvey Limited
December 2006	■ Shandong International Paper & Sun Coated Paperboard Co., Ltd. Joint Venture
2006	■ Completed sales of U.S. Coated and Supercalendared Papers business, Brazilian Coated Papers business, and sold 5.6 million acres of U.S. forestland
2007	■ Sales of Beverage Packaging business, Kraft Papers business, most of Wood Products business, and Arizona Chemical business
August 2007	■ Acquired Central Lewmar LLC
October 2007	■ Joint Venture with Ilim Holding S.A. to operate in Russia as Ilim Group
August 2008	■ Acquired assets of Weyerhaeuser Company's Containerboard, Packaging and Recycling business
June 2010	■ Acquisition of SCA Packaging Asia
June 2010	■ International Paper and Natural Resource Partners L.P. Joint Venture to own and manage more than 7 million mineral acres previously held by IP

5.10 The provisions of Chapter II regulations of SEBI Takeover Code do not apply to IPCO as it does not hold any shares in the Target Company till date.

5.11 IPCO has no share holding in the Target Company as on the date of this Public Announcement. The Acquirer is a 100% indirect subsidiary of IPCO, which is the ultimate holding company of the Acquirer. For the purposes of this Offer, IPCO and IPSING are acting in concert with each other to fulfill the obligations under the Offer.

5.12 Shareholding pattern of IPCO as on March 31, 2011 is as under:

PARTICULARS	NUMBER OF SHARES (Mn)	% HOLDING
Promoters	0.0	0.0%
Institutions/Mutual Funds/FI's/Banks	426.3	97.5%
Public	10.9	2.5%
TOTAL	**437.2**	**100 %**

5.13 As on the date of Public Announcement, IPCO did not hold any shares in the Target Company. IPCO has not acquired any stake in APPM or its subsidiaries prior to the Public Announcement for this Offer.

5.14 The Directors of IPCO and their correspondence addresses as of the date of Public Announcement are as follows:

NAME/DESIGNATION/ DATE OF APPOINTMENT	EDUCATIONAL QUALIFICATION	EXPERIENCE	ADDRESS
John V. Faraci Chairman & Director, February 11, 2003	BS - Denison University MBA - University of Michigan	Chairman and CEO of International Paper, since November 2003. Earlier in 2003, he was elected president of International Paper, and he previously served as executive vice president and chief financial officer from 2000 to 2003. From 1999 to 2000, he was senior vice president – finance and chief financial officer. From 1995 to 1999, he was CEO and Managing Director of Carter Holt Harvey Ltd., a former majority-owned subsidiary of International Paper located in New Zealand. Mr. Faraci is a member of the board of directors of United Technologies Corporation. He also serves on the board of the Moscow School of Management and is chairman of the Brazil-U.S. Business Council. He is a trustee of Denison University and the American Enterprise Institute and a member of the Citigroup International Advisory Board.	6400 Poplar Avenue, Memphis, TN 38197, USA
David J. Bronczek Director October 9, 2006	Bachelor's Degree - Kent State University	President and Chief executive officer of FedEx Express, a subsidiary of FedEx Corporation, since February 2000. Mr. Bronczek started with FedEx in 1976 and has served as executive vice president and chief operating officer of FedEx Express. Mr. Bronczek was recently appointed by the President of the United States to the National Infrastructure Advisory Council. He is a board member for the Air Transport Association and a member of the Board of Governors of the International Air Transport Association. He is vice chairman for the Board of Visitors of the University of Memphis, a member of the Board of Governors for National Safe Kids Campaign, and a member of Memphis Tomorrow.	6400 Poplar Avenue, Memphis, TN 38197, USA
Ahmet C. Dorduncu Director March 6, 2011	Cukuroua University (undergrad) Insead (course in advanced management)	Retired CEO of Sabanci Holding, a financial and industrial conglomerate located in Turkey. From 2005 until his retirement in 2010, Mr. Dorduncu served as Chief Executive Officer of Sabanci Holding. He also served from 2006 to 2010 as Chairman of the Board of Olmuksa, an industrial packaging business joint venture between Sabanci Holding and International Paper. Sabanci Holding is the parent company of the Sabanci Group, a Turkish financial and industrial company.	6400 Poplar Avenue, Memphis, TN 38197, USA

NAME/DESIGNATION/ DATE OF APPOINTMENT	EDUCATIONAL QUALIFICATION	EXPERIENCE	ADDRESS
Lynn Laverty Elsenhans Director March 15, 2007	MBA - Harvard BA - Rice University	Chairman, CEO and president, Sunoco, Inc., manufacturer and marketer of petrochemical products. Ms. Elsenhans is also chairman of the board and director of Sunoco Partners, LLC, the general partner of Sunoco Logistics Partners, LP. Sunoco Logistics engages in the transport, terminalling and storage of refined products and crude oil. Ms. Elsenhans previously served as executive vice president, global manufacturing, Shell Downstream Inc., a subsidiary of Royal Dutch Shell plc, from January 2005 until July 2008. She served concurrently as president of Shell Oil Company and chief executive officer of Shell Oil Products U.S. from 2003 until 2005. Ms. Elsenhans is a trustee of Rice University, an overseer for the Jones Graduate School of Management at Rice, and serves on the board of the Texas Medical Center.	6400 Poplar Avenue, Memphis, TN 38197, USA
Samir G. Gibara Director March 9, 1999	Bachelor's Degree - Cairo University MBA - Harvard Northwestern University-Kellogg's Executive Program	Retired Chairman of the board and CEO of The Goodyear Tire & Rubber Company. Mr. Gibara served as chairman and chief executive officer from 1996 to his retirement in 2002 and remained as non-executive chairman until June 30, 2003. Prior to 1996, Mr. Gibara served that company in various managerial posts prior to being elected president and chief operating officer in 1995. Mr. Gibara served as a director of Dana Corporation through early 2008, and was elected to the board of W&T Offshore Inc. in May 2008. He serves on the Board of Dean's Advisors of the Harvard Business School and as a trustee of the University of Akron Foundation.	6400 Poplar Avenue, Memphis, TN 38197, USA
Stacey J. Mobley Director July 7, 2008	J.D. - Howard University University of Michigan Business School - Finance for the Non-financial Manager	Senior Counsel, Dickstein Shapiro LLP, a multi-service law firm. Mr. Mobley retired as senior vice president, chief administrative officer and general counsel of DuPont, a global science company, and a member of DuPont's Office of the Chief Executive. Mr. Mobley was with DuPont for 35 years and had senior management responsibility for legal and governmental affairs. Mr. Mobley is a director of Nuclear Electric Insurance Ltd. and serves on the board of trustees of Howard University.	6400 Poplar Avenue, Memphis, TN 38197, USA
John L. Townsend III Director March 13, 2006	MBA - University of North Carolina	Managing Partner and Chief Operating Officer of Tiger Management LLC. Mr.Townsend is a member of the Riverstone Group, a private investment fund and also serves as senior advisor to Stone Point Capital, a private investment fund that manages the Trident Funds. Mr. Townsend was previously employed by Goldman Sachs & Co. from 1987 to 2002 and was a general partner from 1992 to 1999 and a managing director from 1999 to 2002. Mr. Townsend is a director of Belk, Inc., a department store retailer, and Castle Point Capital, an asset manager sponsored by the Trident Funds.	6400 Poplar Avenue, Memphis, TN 38197, USA
John F. Turner Director July 11, 2005	BA - Notre Dame University MS - University of	Former Assistant Secretary of State for Oceans and International and Scientific Affairs from November 11, 2001 to July 8,	6400 Poplar Avenue, Memphis, TN 38197, USA

NAME/DESIGNATION/ DATE OF APPOINTMENT	EDUCATIONAL QUALIFICATION	EXPERIENCE	ADDRESS
	Michigan	2005. He received the Department of State's Distinguished Honor Award from Secretary of State Colin Powell in January 2005. Prior to serving in the Department of State, Mr. Turner was president and chief executive officer of The Conservation Fund. Between 1989 and 1993, he was director of the U.S. Fish and Wildlife Service. Mr. Turner also served in the Wyoming State Legislature for 19 years and is a past president of the Wyoming State Senate. Mr. Turner is a director of American Electrical Power, Inc., Peabody Energy Company, Ashland Inc., and The Bank of Jackson Hole. He was a visiting professor at the University of Wyoming in the School of Environment & Natural Resources in 2007 and 2008, and is a managing partner in a family business, The Triangle X Ranch, in Wyoming.	
William G. Walter Director January 1, 2005	MBA - Northwestern University	Former chairman, FMC Corporation, an agriculture, specialty and industrial chemical company. Mr. Walter served as FMC's chairman, president and chief executive officer from 2001 until December 31, 2009, and remained as chairman until September 30, 2010. Mr. Walter served as executive vice president of FMC Corporation from 2000 to 2001 and vice president and general manager of FMC's Specialty Chemicals Group from 1997 to 2000. Mr. Walter is a member of the board of directors of New York Life Insurance Company. He is also a member of the Business Roundtable.	6400 Poplar Avenue, Memphis, TN 38197, USA
Alberto Weisser Director January 1, 2006	B.A. - University of Sao Paulo Insead - Mgmt Development Program Harvard - Competition and Strategy Program	Chairman and CEO of Bunge Limited, a global food, commodity and agribusiness company, since 1999. Mr. Weisser served as Bunge's chief financial officer from 1993 to 1999. Mr. Weisser is a member of the North American Agribusiness Advisory Board sponsored by Rabobank Nederland.	6400 Poplar Avenue, Memphis, TN 38197, USA
J. Steven Whisler Director December 11, 2007	M.S. - Colorado School of Mines J.D. - University of Denver B.S. - University of Colorado CPA - State of Arizona	Retired as Chairman and CEO of Phelps Dodge Corporation, an international mining company, upon its merger with Freeport Copper and Gold, Inc. in March 2007. Mr. Whisler served as chairman and chief executive officer of Phelps Dodge Corporation from May 2000 until March 2007, and served on the board of Phelps Dodge Corporation from 1995 through March 2007. Mr. Whisler is a director of the U.S. Airways Group, Inc., the Brunswick Corporation, and Aleris International. He is also a director of the C.M. Russell Museum.	6400 Poplar Avenue, Memphis, TN 38197, USA

5.15 IPCO is a listed entity with its equity shares listed on the New York stock exchange. As on the date of Public Announcement (April 1, 2011) the closing price of its share was USD 30.42 (approximately ₹ 1361.9) on the New York Stock Exchange with a market capitalization of USD 13,376.9 Mn (approximately to ₹ 5,988,834 lacs).

5.16 IPCO is a widely held listed company on the NYSE with Institutional/Mutual Fund ownership of 97.5% as of March 31, 2011. No single shareholder holds more than 10% stake. There is no identifiable promoter group controlling IPCO.

5.17 The paid up share capital (common stock and paid capital) is USD 6,255 Mn (approximately ₹ 2,800,364 lacs). There are 437.2 Mn outstanding shares with face value of USD 437.2 Mn (approximately ₹ 195,734 lacs) as of March 31, 2011.

5.18 None of the directors of IPCO have acquired any shares of the Target Company over the last 12 (twelve) months from the date of the Public Announcement.

5.19 None of the directors/ representatives of IPCO are on the board of directors of the Target Company.

5.20 As a SEC (Securities and Exchange Commission, USA) registrant, IPCO is subject to annual financial statements and audits performed in accordance with the standard of The Public Company Accounting Oversight Board, US ("PCAOB"). In addition, quarterly financial statements reviews are performed in accordance with the quarterly review standards generally accepted in USA. Auditors of IPCO are Deloitte & Touche LLP, an independent registered public accounting firm. The authority which regulates Deloitte & Touche LLP is the Public Committee Accounting Oversight Board in the USA.

5.21 Brief consolidated financials of IPCO are presented below (*Source*: Annual Reports for year ending December 31, 2010, December 31, 2009 and December 31, 2008). The latest financials are less than 6 (six) months old as at the date of the Public Announcement.

5.22 Profit and Loss Statement:

In USD Mn and ₹ Lacs	Fiscal year ended December 31, 2008		Fiscal year ended December 31, 2009		Fiscal year ended December 31, 2010	
	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)
Income from Operations	24,829	11,115,943	23,366	10,460,958	25,179	11,272,638
Other Income (Gains on Sale of Minerals Rights and Forestlands)	267	119,536	-	-	-	-
Total Income	25,096	11,235,479	23,366	10,460,958	25,179	11,272,638
Total Expenditure (expenses)	24,410	10,928,357	20,026	8,965,640	22,293	9,980,576
Profit Before Depreciation, Interest and Tax	686	307,122	3,340	1,495,318	2,886	1,292,062
Depreciation	1,347	603,052	1,472	659,014	1,456	651,851
Interest Expense, Net	492	220,268	669	299,511	608	272,202
Profit Before Tax	(1,153)	(516,198)	1,199	536,792	822	368,009
Taxation	162	72,527	469	209,971	221	98,942
Equity Earnings (Losses), Net of taxes	49	21,937	(49)	(21,937)	64	28,653
Discontinued Operations	(13)	(5,820)	-	-	-	-
Net Profit Before Noncontrolling Interests	(1,279)	(572,608)	681	304,884	665	297,721
Net Earnings (Loss) Attributable to Non-controlling Interests	3	1,343	18	8,059	21	9,402
Net Profit Attributable to International Paper	(1,282)	(573,951)	663	296,825	644	288,319

5.23 Balance Sheet:

In USD Mn and ₹ Lacs	Fiscal year ended December 31, 2008		Fiscal year ended December 31, 2009		Fiscal year ended December 31, 2010	
	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)
Sources of Funds						
Paid up Share Capital (Common stock and paid in capital, less treasury stock)	6,061	2,713,510	6,151	2,753,803	6,240	2,793,648
Other Reserves (Retained Earnings, Accumulated other income)	(1,892)	(847,048)	(128)	(57,306)	594	265,934
Non Controlling interests	232	103,866	232	103,866	250	111,925
Net Worth/Shareholders Equity	**4,401**	**1,970,328**	**6,255**	**2,800,364**	**7,084**	**3,171,507**
Secured Loans	14	6,268	23	10,297	20	8,954
Unsecured Loans	12,060	5,399,262	9,010	4,033,777	8,651	3,873,053
Total loans	**12,074**	**5,405,530**	**9,033**	**4,044,074**	**8,671**	**3,882,007**
Pension Benefit Obligation	3,260	1,459,502	2,765	1,237,891	1,482	663,491

In USD Mn and ₹ Lacs	Fiscal year ended December 31, 2008		Fiscal year ended December 31, 2009		Fiscal year ended December 31, 2010	
	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)
Postretirement and Postemployment Benefit Obligation	663	296,825	538	240,863	499	223,402
Other Liabilities	631	282,499	824	368,905	649	290,557
Deferred Income Tax liability	1,957	876,149	2,425	1,085,673	2,793	1,250,426
Total Current Liabilities (excluding current portion of long-term debt which is included in Loans)	3,927	1,758,118	3,708	1,660,072	4,190	1,875,863
Total	**26,913**	**12,048,950**	**25,548**	**11,437,840**	**25,368**	**11,357,254**
Uses of Funds						
Net fixed assets (includes PP&E, goodwill and timberlands)	16,823	7,531,657	15,735	7,044,560	15,057	6,741,019
Investments	1,274	570,370	1,077	482,173	1,092	488,888
Net Current Assets	7,360	3,295,072	7,551	3,380,583	8,028	3,594,136
Total Misc Exp. Not written off (Deferred charges and other assets)	1,456	651,851	1,185	530,525	1,191	533,211
Total	**26,913**	**12,048,950**	**25,548**	**11,437,840**	**25,368**	**11,357,254**

5.24 Other Financial Data:

	Fiscal year ended December 31, 2008		Fiscal year ended December 31, 2009		Fiscal year ended December 31, 2010	
	USD	₹ (approximately)	USD	₹ (approximately)	USD	₹ (approximately)
Dividend % (3)	NM	NM	20.8%	20.8%	26.7%	26.7%
Dividend per Share	1.0	44.8	0.33	14.6	0.4	17.9
Earnings per Share – Basic(4)	(3.05)	(136.5)	1.56	69.8	1.50	67.2
Earnings per Share – Diluted(5)	(3.05)	(136.5)	1.55	69.4	1.48	66.3
Return On Net Worth % (1)	(14.9)%	(14.9)%	13.6%	13.6%	10.6%	10.6%
Book Value Per share(2)	9.9	443.2	14.2	635.7	15.9	711.8
P/E	NA	NA	17.3	774.5	18.4	823.8

₹ Numbers have been computed assuming 1 USD = ₹ 44.77 as on March 30, 2011 (*Source*: www.rbi.org).

(1)Return On Net Worth has been calculated as Net Profit attributable to IPCO / Average Shareholders' Equity, computed monthly

(2) Book Value per share has been calculated as Net Worth/ No. of basic shares

(3) Dividend % - Dividend / Basic Earnings per share

(4)Earnings per Share - Basic has been calculated as Earnings (Loss) per share attributable to IPCO common shareholders, including discontinued operations

(5)Earnings per Share - Diluted has been calculated as Earnings (Loss) per share attributable to IPCO common shareholders, including discontinued operations

5.25 Major contingent liabilities and commitments (*Source*: IPCO's 2010 annual report on Form 10-K)

- Certain property, machinery and equipment are leased under cancelable and non-cancelable agreements. Unconditional purchase obligations have been entered into in the ordinary course of business, principally for capital projects and the purchase of certain pulpwood, logs, wood chips, raw materials, energy and services, including fiber supply agreements to purchase pulpwood that were entered into concurrently with the Company's 2006 Transformation Plan forestland sales.
- At December 31, 2010, total future minimum commitments under existing non-cancelable operating leases and purchase obligations were as follows:

Year ending March 31	Lease Obligations		Purchase Obligations(1)		Total	
	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)
2011	162	72,527	2,564	1,147,903	2,726	1,220,430
2012	135	60,440	749	335,327	884	395,767
2013	110	49,247	616	275,783	726	325,030
2014	87	38,950	524	234,595	611	273,545

Year ending March 31	Lease Obligations		Purchase Obligations[1]		Total	
	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)	USD Mn	₹ Lacs (approximately)
2015	75	33,578	515	230,566	590	264,143
Thereafter	158	70,737	3,174	1,421,000	3,332	1,491,736

(1) Includes USD 2.3 Bn (approximately ₹ 1,029,710 lacs) relating to fiber supply agreements entered into at the time of the Company's 2006 Transformation Plan forestland sales.

- Rent expense was USD 210 Mn (approximately ₹ 94,017 lacs), USD 216 Mn (approximately ₹ 96,703 lacs) and USD 205 Mn (approximately ₹ 91,779 lacs) for 2010, 2009 and 2008, respectively.
- In connection with sales of businesses, property, equipment, forestlands and other assets, IPCO commonly makes representations and warranties relating to such businesses or assets, and may agree to indemnify buyers with respect to tax and environmental liabilities, breaches of representations and warranties, and other matters. Where liabilities for such matters are determined to be probable and subject to reasonable estimation, accrued liabilities are recorded at the time of sale as a cost of the transaction.
- In May 2008, a recovery boiler at the Company's Vicksburg, Mississippi facility exploded, resulting in one fatality and injuries to employees of contractors working on the site. The Company has resolved all of the eight original lawsuits arising from this matter. However, a new matter was filed January 4, 2011. Nevertheless, the Company believes it has adequate insurance to resolve any remaining matters, and the settlement of these lawsuits will not have a material adverse effect on its consolidated financial statements.
- IPCO has been named as a potentially responsible party in various environmental remediation actions. During 2009, in connection with an environmental site remediation action under Comprehensive Environmental Response, Compensation and Liability Act (**"CERCLA"**), IPCO submitted to the US Environmental Protection Agency ("**EPA**") a feasibility study for a closed wood treating facility located in Cass Lake, Minnesota. In November 2010 the EPA provided comments that required IPCO to narrow the remedial action alternatives identified in the study. As a result of this recent information, the company increased its remediation reserve for this site from USD 6 Mn (approximately ₹ 2,686 lacs) to USD 24 Mn (approximately ₹ 10,745 lacs) in the fourth quarter of 2010. The final remediation plan for this site has not been approved by the EPA, and of the five alternatives, the company's reserve reflects the low end of the range of estimated remediation costs, since, at this time, no one of the alternatives proposed by the EPA is any more likely than the others to be approved. If the most expensive of the clean-up alternatives were approved by the EPA, the remediation costs could be material, and significantly higher than amounts currently recorded. In June 2010, the South Carolina Department of Health and Environmental Control (DHEC) finalized its previously proposed consent order to the company with a civil penalty of USD115,000 (approximately ₹ 51 lacs). The penalty was levied for self-disclosed failures by the company's Georgetown, South Carolina mill to operate within carbon monoxide and total reduced sulfur emission limits under the mill's Part 70 (Title V) Air Quality Operating Permit.
- Summary: The company is also involved in various other inquiries, administrative proceedings and litigation relating to environmental and safety matters, contracts, sales of property, intellectual property, personal injury, labor and employment, and other matters, some of which allege substantial monetary damages. While any proceeding or litigation has the element of uncertainty, the Company believes that the outcome of any of the lawsuits or claims that are pending or threatened or all of them combined (other than those that cannot be assessed due to their preliminary nature), will not have a material adverse effect on its consolidated financial statements.

5.26 Reasons for Rise /Fall in Total Income and Net Earnings attributable to IPCO (*Source*: IPCO's 2010, 2009 and 2008 annual report on Form 10-K)

- **Total Income and Net Earnings attributable to IPCO for the FY ended December 31, 2010 as compared to FY ended December 31, 2009:** Total income from 2010 increased from USD 23.4 billion (approximately ₹ 10,476,180 lacs) in 2009 to USD 25.2 billion (approximately ₹ 11,282,040 lacs) in 2010. IPCO experienced a transition year in 2010, as it emerged from one of the worst recessions in decades to end the year with our highest fourth-quarter earnings per share in over ten years. The strong fourth quarter wrapped up a strong 2010. It's earnings per share before special items were more than twice what they were in 2009. The levers for improvement during 2010 included higher price realizations, volume recovery, better operations, and a significantly higher contribution from its Ilim joint venture in Russia. The primary downside came from input costs, where it saw pressure on virgin and recycled fiber costs. However, it was able to overcome these higher costs and expand our margins during 2010. It saw improvements across all of its segments and in each of its geographic regions.

- Full year 2010 net earnings attributable to IPCO totaled USD 644 million (approximately ₹ 288,319 lacs) compared with net earnings attributable to IPCO of USD 663 million (approximately ₹ 296,825 lacs) in 2009. 2008 amounts include the results of discontinued operations.
- Earnings from continuing operations attributable to IPCO after taxes in 2010 were USD 644 million (approximately ₹ 288,319 lacs), including USD 246 million (approximately ₹ 110,134 lacs) of net special item charges, compared with income of USD 663 million (approximately ₹ 296,825 lacs), including USD 285 million (approximately ₹ 127,595 lacs) of special item credits in 2009. Compared with 2009, higher mill outage costs, increased average raw material costs, higher distribution costs, a bad debt provision for a large envelope company, higher corporate expenses, and a net special items expense in 2010 (compared with a net gain in 2009) were partially offset by the impact of increased average sales price realizations, higher sales volumes, favorable operating performance, higher earnings from land and mineral sales, and lower net interest expense. Additionally, 2010 results included higher equity earnings, net of taxes, relating to the Company's investment in Ilim Holdings, SA.
- **Total Income and Net Earnings attributable to IPCO for the FY ended December 31, 2009 as compared to FY ended December 31, 2008:** IPCO reported Total Income of USD 23.4 billion (approximately ₹ 10,476,180 lacs) in 2009, compared with USD 25.1 billion (approximately ₹ 11,235,479 lacs) in 2008 (2008 includes other income of USD 267 Mn or approximately ₹ 119,536 lacs). Despite weak global economic conditions, the company performed well in 2009 considering the magnitude of the challenges it faced, both domestically and around the world. Furthermore, the realization of integration synergies in its U.S. industrial packaging business and overhead reduction initiatives across the company position the company to benefit from a lower cost profile in future years.
- Full year 2009 net earnings attributable to IPCO totaled USD 663 million (approximately ₹ 296,825 lacs) compared with a loss of USD 1.3 billion (approximately ₹ 582,010 lacs) in 2008. Amounts include the results of discontinued operations.
- Earnings from continuing operations attributable to IPCO, after taxes, in 2009 were USD 663 million (approximately ₹ 296,825 lacs), including USD 285 million (approximately ₹ 127,595 lacs) of net special items charges, compared with a loss of USD 1.3 billion (approximately ₹ 582,010 lacs), including USD 2.1 billion (approximately ₹ 940,170 lacs) of net special items charges, in 2008. Compared with 2008, lower average raw material costs, favorable operating performance, incremental earnings from the CBPR business acquired in the 2008 third quarter, lower distribution costs, lower tax expense, and the incremental gain from special items were offset by the impact of lower average sales price realizations, lower sales volumes, lower earnings from land and mineral sales, higher net interest expense and higher corporate expenses. Additionally, 2009 results included lower equity earnings, net of taxes, relating to the Company's investment in Ilim Holding S.A.
- **Total Income and Net Earnings attributable to IPCO for the FY ended December 31, 2008 as compared to FY ended December 31, 2007:** IPCO's operating results in 2008 reflected two distinct economic periods. During the first three quarters, business conditions were soft but steady. Sales volumes for containerboard and boxes were solid, and paper and market pulp volumes, while below prior-year levels, were steady. Average price realizations increased for key products, and market downtime was minimal. While key input costs for raw materials and energy and freight costs increased significantly over the nine-month period, it was able to offset these effects with selling price increases, solid manufacturing operations and continued cost reduction efforts. Beginning with the end of the third quarter, U.S. economic activity contracted significantly resulting in dramatic declines in demand for uncoated freesheet products, corrugated boxes and market pulp. Global pulp prices began declining significantly, and paper and containerboard pricing leveled out as they reached a 2008 peak. Despite these severe, unfavorable fourth-quarter business conditions, the company posted a 13% increase in Income from Operations in 2008 to USD 24.8 billion (approximately ₹ 11,102,960 lacs).
- Full year 2008 net earnings attributable to IPCO was a loss of USD 1.3 billion (approximately ₹ 582,010 lacs), compared with net earnings attributable to IPCO of USD 1.2 billion (approximately ₹ 537,240 lacs), in 2007. Amounts include the results of discontinued operations.
- Earnings (loss) from continuing operations after taxes in 2008 were a loss of USD 1.3 billion (approximately ₹ 582,010 lacs), including USD 2.1 billion (approximately ₹ 940,170 lacs) of special item charges, compared with income of USD 1.2 billion (approximately ₹ 537,240 lacs) in 2007. Compared with 2007, higher average sales price realizations, favorable operating performance, and lower corporate expenses (primarily pensions) were offset by the impact of higher average raw material costs, lower sales volumes, lower earnings from land sales, higher distribution costs, higher tax expense, higher net interest expense and the incremental loss from special items. Results for 2008 also included equity earnings, net of taxes, relating to the Company's investment in Ilim Holding S.A.

5.27 Significant Accounting Policies of IPCO (*Source*: IPCO's 2010 annual report on Form 10-K)

- NATURE OF BUSINESS : International Paper (the Company) is a global paper and packaging company that is complemented by an extensive North American merchant distribution system, with primary markets and manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to available industry capacity and general economic conditions.
- FINANCIAL STATEMENTS : These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States that require the use of management's estimates. Actual results could differ from management's estimates.
- CONSOLIDATION: The consolidated financial statements include the accounts of International Paper and its wholly-owned, controlled majority-owned and financially controlled subsidiaries. All significant intercompany balances and transactions are eliminated. International Paper accounts for its investment in Ilim Holding S.A. (Ilim), a separate reportable industry segment, using the equity method of accounting. Due to the complex organizational structure of Ilim's operations, and the extended time required to prepare consolidated financial information in accordance with accounting principles generally accepted in the United States, the Company reports its share of Ilim's operating results on a one-quarter lag basis. Investments in affiliated companies where the Company has significant influence over their operations are accounted for by the equity method. International Paper's share of affiliates' earnings totaled earnings of USD 64 million (approximately ₹ 28,653 lacs), a loss of USD 49 million (approximately ₹ 21,937 lacs) and earnings of USD 49 million (approximately ₹ 21,937 lacs) in 2010, 2009 and 2008, respectively.
- REVENUE RECOGNITION: Revenue is recognized when the customer takes title and assumes the risks and rewards of ownership. Revenue is recorded at the time of shipment for terms designated f.o.b. (free on board) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site, when title and risk of loss are transferred. Timber and forestland sales revenue is generally recognized when title and risk of loss pass to the buyer.
- ALTERNATIVE FUEL MIXTURE CREDITS – COST OF PRODUCTS SOLD: The U.S. Internal Revenue Code provided a tax credit for companies that use alternative fuel mixtures to produce energy to operate their businesses. As these credits represent a reduction of energy costs at the Company's U.S. manufacturing facilities, the credits are included as a reduction of Cost of products sold in 2009 in the accompanying consolidated statement of operations.
- SHIPPING AND HANDLING COSTS: Shipping and handling costs, such as freight to our customers' destinations, are included in distribution expenses in the consolidated statement of operations. When shipping and handling costs are included in the sales price charged for our products, they are recognized in net sales.
- ANNUAL MAINTENANCE COSTS: Costs for repair and maintenance activities are expensed in the month that the related activity is performed under the direct expense method of accounting.
- TEMPORARY INVESTMENTS: Temporary investments with an original maturity of three months or less are treated as cash equivalents and are stated at cost, which approximates market.
- INVENTORIES: Inventories are valued at the lower of cost or market and include all costs directly associated with manufacturing products: materials, labor and manufacturing overhead. In the United States, costs of raw materials and finished pulp and paper products are generally determined using the last-in, first-out method. Other inventories are valued using the first-in, first-out or average cost methods.
- PLANTS, PROPERTIES AND EQUIPMENT: Plants, properties and equipment are stated at cost, less accumulated depreciation. Expenditures for betterments are capitalized, whereas normal repairs and maintenance are expensed as incurred. The units-of-production method of depreciation is used for major pulp and paper mills, and the straight-line method is used for other plants and equipment. Annual straight-line depreciation rates are, for buildings – 2.5% to 8.5%, and for machinery and equipment – 5% to 33%.
- FORESTLANDS: At December 31, 2010, IPCO and its subsidiaries owned or managed approximately 250,000 acres of forestlands in Brazil, and through licenses and forest management agreements, had harvesting rights on government-owned forestlands in Russia. Costs attributable to timber are charged against income as trees are cut. The rate charged is determined annually based on the relationship of incurred costs to estimated current merchantable volume.
- GOODWILL: Goodwill relating to a single business reporting unit is included as an asset of the applicable segment, while goodwill arising from major acquisitions that involve multiple business segments is classified as a corporate asset for segment reporting purposes. For goodwill impairment testing, this goodwill is allocated to reporting units. Annual testing for possible goodwill impairment is performed as of the beginning of the fourth quarter of each year, with additional interim testing

performed when management believes that it is more likely than not events or circumstances have occurred that would result in the impairment of a reporting unit's goodwill. In performing this testing, the Company estimates the fair value of its reporting units using the projected future cash flows to be generated by each unit over the estimated remaining useful operating lives of the unit's assets, discounted using the estimated cost of capital for each reporting unit. These estimated fair values are then analyzed for reasonableness by comparing them to historic market transactions for businesses in the industry, and by comparing the sum of the reporting unit fair values and other corporate assets and liabilities divided by diluted common shares outstanding to the company's traded stock price on the testing date. For reporting units whose recorded value of net assets plus goodwill is in excess of their estimated fair values, the fair values of the individual assets and liabilities of the respective reporting units are then determined to calculate the amount of any goodwill impairment charge required.

- IMPAIRMENT OF LONG-LIVED ASSETS: Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable, measured by comparing their net book value to the undiscounted projected future cash flows generated by their use. Impaired assets are recorded at their estimated fair value.
- INCOME TAXES: IPCO uses the asset and liability method of accounting for income taxes whereby deferred income taxes are recorded for the future tax consequences attributable to differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are remeasured to reflect new tax rates in the periods rate changes are enacted. IPCO records its worldwide tax provision based on the respective tax rules and regulations for the jurisdictions in which it operates. Where the Company believes that a tax position is supportable for income tax purposes, the item is included in its income tax returns. Where treatment of a position is uncertain, liabilities are recorded based upon the Company's evaluation of the "more likely than not" outcome considering the technical merits of the position based on specific tax regulations and the facts of each matter. Changes to recorded liabilities are made only when an identifiable event occurs that changes the likely outcome, such as settlement with the relevant tax authority, the expiration of statutes of limitation for the subject tax year, a change in tax laws, or a recent court case that addresses the matter. While the judgments and estimates made by the Company are based on management's evaluation of the technical merits of a matter, assisted as necessary by consultation with outside consultants, historical experience and other assumptions that management believes are appropriate and reasonable under current circumstances, actual resolution of these matters may differ from recorded estimated amounts, resulting in charges or credits that could materially affect future financial statements.
- STOCK-BASED COMPENSATION: Compensation costs resulting from all stock-based compensation transactions are measured and recorded in the consolidated financial statements based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards are remeasured each reporting period. Compensation cost is recognized over the period that an employee provides service in exchange for the award.
- ENVIRONMENTAL REMEDIATION COSTS: Costs associated with environmental remediation obligations are accrued when such costs are probable and reasonably estimable. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are discounted to their present value when the amount and timing of expected cash payments are reliably determinable.
- ASSET RETIREMENT OBLIGATIONS: A liability and an asset are recorded equal to the present value of the estimated costs associated with the retirement of long-lived assets where a legal or contractual obligation exists and the liability can be reasonably estimated. The liability is accreted over time and the asset is depreciated over the life of the related equipment or facility. IPCO’s asset retirement obligations principally relate to closure costs for landfills. Revisions to the liability could occur due to changes in the estimated costs or timing of closures, or possible new federal or state regulations affecting these closures. In connection with potential future closures or redesigns of certain production facilities, it is possible that the Company may be required to take steps to remove certain materials from these facilities. Applicable regulations and standards provide that the removal of certain materials would only be required if the facility were to be demolished or underwent major renovations. At this time, any such obligations have an indeterminate settlement date, and the Company believes that adequate information does not exist to apply an expected-present-value technique to estimate any such potential obligations. Accordingly, the Company does not record a liability for such remediation until a decision is made that allows reasonable estimation of the timing of such remediation.
- TRANSLATION OF FINANCIAL STATEMENTS: Balance sheets of international operations are translated into U.S. dollars at year-end exchange rates, while statements of operations are translated at average rates. Adjustments resulting from financial statement translations are included as cumulative

translation adjustments in Accumulated other comprehensive loss.

5.28 As per IPCO these are the list of pending litigations against IPCO on date of Public Announcement:

- IPCO has been named as a potentially responsible party in environmental remediation actions under various federal and state laws, including the CERCLA. Most of these proceedings involve the cleanup of hazardous substances at large commercial landfills that received waste from many different sources. While joint and several liability is authorized under CERCLA and equivalent state laws, as a practical matter, liability for CERCLA cleanups is typically allocated among the many potential responsible parties. Based upon previous experience with respect to the cleanup of hazardous substances using presently available information, IPCO believes that its liability is not likely to be significant at 54 such sites, and that its liability at 45 other sites is likely to be significant but not material to IPCO's consolidated financial statements. Remedial costs are recorded in the financial statements when they become probable and reasonably estimable. IPCO believes that the probable liability associated with these 99 matters is approximately USD 76 Mn (approximately ₹ 34,025 lacs).
- One of the sites referred to above is a closed wood treating facility located in Cass Lake, Minnesota. During 2009, in connection with an environmental site remediation action under CERCLA, we submitted to the EPA a site remediation feasibility study. In November 2010, the EPA provided comments that limited the number of acceptable remedial action alternatives that the company may be allowed to pursue and adopted more restrictive clean up requirements for the site. As a result, the Company increased its remediation reserve for this site from USD 6 Mn (approximately ₹ 2,686 lacs) to USD 24 Mn (approximately ₹ 10,745 lacs) in the fourth quarter of 2010. The final remediation plan for this site has not been approved by the EPA, and of the five alternatives, the company's reserve reflects the low end of the range of estimated remediation costs, since, at this time, no one of the alternatives proposed by the EPA is any more likely than the others to be approved. If the most expensive of the clean-up alternatives were approved by the EPA, the remediation costs could be material, and significantly higher than amounts currently recorded.
- In addition to the above proceedings, other remediation costs, typically associated with the cleanup of hazardous substances at the company's current, closed or formerly-owned facilities, and recorded as liabilities in the balance sheet, totaled approximately USD 48 Mn (approximately ₹ 21,490 lacs). Other than as described above, completion of required remedial actions is not expected to have a material adverse effect on our consolidated financial statements.
- Other Legal Matters: The company is also involved in various other inquiries, administrative proceedings and litigation relating to environmental and safety matters, contracts, sales of property, intellectual property, personal injury, labor and employment, and other matters, some of which allege substantial monetary damages. While any proceeding or litigation has the element of uncertainty, the company believes that the outcome of any of the lawsuits or claims that are pending or threatened or all of them combined (other than those that cannot be assessed due to their preliminary nature), will not have a material adverse effect on its consolidated financial statements.

5.29 Details of major acquisitions during last 3 (three) years involving IPCO:

ACQUIRED COMPANY	ACQUISITION DATE	PURCHASE PRICE	BRIEF DESCRIPTION
SCA Packaging Asia (SCA)	June 30, 2010	Approx. USD 200 Mn (₹ 89,540 lacs) in cash, subject to post-closing adjustments	The SCA packaging business in Asia consists of 13 corrugated box plants and 2 specialty packaging facilities, which are primarily in China, along with locations in Singapore, Malaysia and Indonesia.
The Weyerhaeuser Company's Containerboard, Packaging and Recycling (CBPR) business	August 4, 2008	Approximately USD 6 billion (₹ 2,686,200 lacs) in cash, subject to post-closing adjustments	Containerboard, Packaging and Recycling business. The acquisition includes 9 containerboard mills, 72 packaging locations, 10 specialty-packaging plants,4 kraft bag and sack locations, 19 recycling facilities and approximately 14,300 employees

5.30 IPCO has made no significant divestitures in the last 3 (three) years.

5.31 Details of Corporate Governance for IPCO as per latest filings as follows

IPCO's commitment to Sound Corporate Governance Principles

IPCO believes that good corporate governance is critical to achieving business success. IPCO's board has adopted *Corporate Governance Guidelines* that reflect its commitment to sound governance practices. In addition, each of IPCO's board committees has its own charter to assure that its board fully discharges its responsibilities to its shareowners. IPCO's board regularly reviews its *Corporate Governance Guidelines* and committee charters and makes changes from time to time to reflect developments in applicable law and corporate governance. IPCO's Restated Certificate of Incorporation permits the size of its board to range from 9 (nine) to 18 (eighteen) members. Currently, the size of IPCO's Board is 11 (eleven) members. IPCO's Board maintains 4 (four) standing committees, each of which is described in detail below, as well as an Executive Committee, which is comprised of the chair of each of the standing committees.

In each of the areas discussed below, IPCO has embraced sound principles, policies and procedures to ensure that it's Board and its management's goals are aligned with its shareowners' interests.

Code of Business Ethics

IPCO's board has adopted a *Code of Business Ethics* that applies to its directors, officers and all employees to ensure that its business is conducted in a legal and ethical manner. IPCO's revised *Code of Business Ethics (Third Edition)* was updated in January 2008 to reflect the increasingly global nature of IPCO's business and addresses many global compliance issues.

IPCO's Office of Ethics and Business Practice is located at IPCO's global headquarters in Memphis, Tennessee. If an employee, customer, vendor or shareowner has a concern about ethics or business practices of IPCO or any of its employees or representatives, he or she may contact the Office of Ethics and Business Practice in person, via mail, e-mail, facsimile or telephone. IPCO's *Code of Business Ethics* explains that there are multiple other channels for an employee to report a concern, including to his or her manager, assigned human resource professional or legal counsel, or IPCO's internal audit department.

IPCO's *HelpLine* is also available 24 hours a day, seven days a week, to receive calls from anyone wishing to report a concern or complaint, anonymous or otherwise.

All *HelpLine* contacts are provided to the Office of Ethics and Business Practice for further action and, if possible, for a response to the person making the contact. Any report to any one of IPCO's multiple channels for reporting concerns that raises a concern or allegation of impropriety relating to our accounting, internal controls or other financial or audit matters is immediately forwarded to the Office of Ethics and Business Practice, which is then responsible for reporting such matters, unfiltered, to the chair of IPCO's Audit and Finance Committee. All such matters are investigated and responded to in accordance with the procedures established by the Audit and Finance Committee to ensure compliance with the Sarbanes-Oxley Act of 2002.

Risk Oversight

As set forth in IPCO's *Corporate Governance Guidelines,* IPCO's board exercises oversight of the Company's strategic, operational and financial matters, as well as compliance and legal risks. The board is responsible for assuring appropriate alignment of its leadership structure and oversight of management with the interests of shareowners and the communities in which the company operates. Pursuant to delegated authority as permitted by IPCO's By-Laws, *Corporate Governance Guidelines,* and committee charters, the board's 4 (four) standing committees oversee certain risks, and the Audit and Finance Committee coordinates the risk oversight role exercised by various committees and management. IPCO's *Corporate Governance Guidelines* provide the foundation upon which the board oversees a working system of principled goal setting and effective decision making, with the objective of establishing a vital, agile, and ethical corporate entity that provides value to the shareowners who invest in the Company and to the communities in which it operates.

Board Leadership Structure

IPCO's board has no policy with respect to the separation of the offices of Chairman and CEO. IPCO currently combines the role of Chairman and CEO, coupled with an independent Presiding Director whose authority, duties and responsibilities are set forth in the *Corporate Governance Guidelines.* IPCO's board believes that combining the position of Chairman and CEO is appropriate to further strengthen the company's governance structure by promoting unified leadership and direction for the company, fostering accountability and allowing for a single, clear focus for management to execute the company's strategy and business plans.

Director Independence Determination Process and Standards

Annually, IPCO's board determines the independence of directors based on a review conducted by the Governance Committee and the General Counsel. The Governance Committee and the board evaluate and determine each director's independence under the *NYSE Listed Company Manual's* independence standards and the company's *Director Qualification Criteria and Independence Standards,* which are consistent with, but more rigorous than, the NYSE standards.

Under US SEC rules, the Governance Committee is required to analyze and describe any transactions, relationships or arrangements not specifically disclosed in the proxy statement that were considered in determining IPCO's directors' independence. To facilitate this process, the Governance Committee reviews directors' responses to IPCO's annual Directors' and Officers' Questionnaire, which requires disclosure of each director's and his or her immediate family's relationships to the company, as well as any potential conflicts of interest.

Director Qualification Criteria and Independence Standards

IPCO's board has adopted *Director Qualification Criteria and Independence Standards,* which it uses to evaluate incumbent directors being considered for election at each annual meeting, as well as to evaluate director-candidates. As noted in IPCO's *Director Qualification Criteria and Independence Standards,* neither the Governance Committee nor the board has any specific minimum qualifications expected of qualified directors, although IPCO does expect candidates to have ample experience and a proven record of professional success, leadership and the highest level of personal and professional ethics, integrity and values.

It is the policy of IPCO's board that a majority of its members be independent from the company, its management and its independent registered public accounting firm. Based on the Governance Committee's review of IPCO's current directors, IPCO's board has determined that all of IPCO's non-employee directors are independent. IPCO has one employee-director, its Chairman, Mr. Faraci, who is not independent. All committees of the board are comprised entirely of independent directors. Further, the Governance Committee concluded and recommended to IPCO's board, and IPCO's board determined, that all of its non-employee directors meet the independence requirements for service on its Audit and Finance Committee, the Management Development and Compensation Committee and the Governance Committee.

Diversity of IPCO's Directors

IPCO's board and the Governance Committee have assembled a board comprised of experienced directors who are currently, or have recently been, leaders of major companies or institutions, are independent thinkers and have a wide range of expertise and skills. The board, through its Governance Committee, seeks directors with a mix of backgrounds and experiences that will enhance the quality of its deliberations and decisions. The criteria considered by IPCO's board and the Governance Committee include a person's skills, current and previous occupations, other board memberships and professional experiences in the context of the needs of the board. The Governance Committee Charter specifically directs the Committee to seek qualified candidates with diverse backgrounds, including but not limited to such factors as race, gender, and ethnicity. The satisfaction of these criteria is implemented and assessed through ongoing consideration of directors and nominees by the Governance Committee and the board, as well as through the board's annual self-evaluation process.

Additionally, the board believes that its membership should reflect diversity in the broadest sense, and is particularly interested in maintaining a mix that includes the following backgrounds:

- Senior management level leadership in a comparable company or organization;
- Manufacturing;
- International operations;
- Environmental affairs and sustainability;
- Public policy;
- Public service;
- Finance;
- Accounting;
- Strategic planning;
- Supply chain;
- Technology;
- Marketing and
- Legal.

IPCO's board Committees

In order to fulfill its responsibilities, IPCO's board has delegated certain authority to its committees. The board has 4 (four) standing committees and 1 (one) Executive Committee. IPCO's four standing committees are: (i) Audit and Finance; (ii) Governance; (iii) Management Development and Compensation; and (iv) Public Policy and Environment. The Executive Committee meets only if a quorum of the full board cannot be convened and there is an urgent need to meet.

Each committee has its own charter, and each charter is reviewed annually by each committee to assure ongoing compliance with applicable law and sound governance practices. The Governance Committee assesses the Executive Committee Charter.

5.32 The compliance officer of IPCO is Ms Sharon Ryan, Chief Ethics, Compliance Officer, Acting General Counsel and Corporate Secretary. The Compliance Officer can be contacted at: Tel: +1 901 419 3817, Fax: +1 901 214-0647, Email: sharon.ryan@ipaper.com

5.33 Details of prominent subsidiaries of IPCO are given as under:

NAME OF COMPANY	% SHAREHOLDING	DATE OF INCORP.	REGISTERED OFFICE	NATURE OF BUSINESS
International Paper S.A.	99.93%	12/16/1920	Boulevard des Chênes, 4 Parc Ariane, Immeuble Pluton, Guyancourt, France	Purchase, sales, manufacturing, processing and use of pulp, paper, cardboard and cellulose.
IP Celimo	100%	12/15/2001	Boulevard des Chênes, 4 Parc Ariane, Immeuble Pluton, Guyancourt , France	Manufacturing, transformation and sale of pulp and paper
Cartonajes Union S.L.	100%	9/17/1965	Camino Viejo del Grao s/n - 46700 Gandia (Valencia) , Spain	Container Business; Import, export, manufacturing, storage, distribution and sale of all kinds of paper, cardboard, paperboard, cartons and bags, trays, boxes, bags, plates, containers and packaging of corrugated cardboard and any other kind of packaging.
Cartonajes International S.L.	100%	7/28/1956	C/Calle General Yague 20 2 B, Madrid, Spain	Container Business; Import, export, manufacturing, storage, distribution and sale of all kinds of paper, cardboard, paperboard, cartons and bags, trays, boxes, bags, plates, containers and packaging of corrugated cardboard and any other kind of packaging.
Inducar S.L.	100%	8/9/1978	Laderita del Pilar no2, El Chorrillo, Santa Cruz de Tenerife , Spain	Import, export, manufacturing, storage, distribution and sale of all kinds of paper, cardboard, paperboard, cartons and bags, trays, boxes, bags, plates, containers and packaging of corrugated cardboard and any other kind of packaging

International Paper S.A.

The following financial data has been derived from the audited financial statements of International Paper S.A. for the periods indicated below:

INTERNATIONAL PAPER S.A.	Fiscal year ended on December 31, 2007		Fiscal year ended on December 31, 2008		Fiscal year ended on December 31, 2009	
	EUR Mn	₹ Lacs[(1)] (approximately)	EUR Mn	₹ Lacs[(1)] (approximately)	EUR Mn	₹ Lacs[(1)] (approximately)
Total Income	366.5	230,963.9	385.9	243,184.2	364.2	229.490.7
Profit After Tax	15.3	9,644.6	16.3	10,258.8	4.8	3,011.9
Equity Capital	92.8	58,500.2	92.8	58,500.2	92.8	58,500.2
Reserves	141.8	89,378.9	156.2	98,410.9	161.4	101,737.8
Total Shareholders' Equity	234.7	147,879.1	249.0	156,911.0	254.3	160,238.0
EPS (EUR/ ₹)	1.5	93.5	1.6	99.5	0.5	29.2
Book Value per share (EUR/ ₹)	22.8	1,433.7	24.1	1,521.3	24.7	1,553.6

[(1)]1 EUR = ₹ 63.02 as on March 30, 2011 (*Source*: www.rbi.org)

IP Celimo
The following financial data has been derived from the audited financial statements of IP Celimo for the periods indicated below:

IP CELIMO	Fiscal year ended on December 31, 2007		Fiscal year ended on December 31, 2008		Fiscal year ended on December 31, 2009	
	EUR Mn	₹ Lacs(1) (approximately)	EUR Mn	₹ Lacs(1) (approximately)	EUR Mn	₹ Lacs(1) (approximately)
Total Income	159.3	100,402.8	153.6	96,783.7	140.9	88,825.1
Profit After Tax	8.2	5,157.4	1.8	1,129.0	(1.8)	(1,127.1)
Equity Capital	112.0	70,577.6	112.0	70,577.6	112.0	70,577.6
Reserves	80.4	50,687.1	81.3	51,253.9	79.5	50,126.8
Total Shareholders' Equity	192.4	121,264.6	193.3	121,831.5	191.5	120,704.4
EPS (EUR/ ₹)	0.7	46.1	0.2	10.1	(0.2)	(10.1)
Book Value per share (EUR/ ₹)	17.2	1,082.8	17.3	1,087.9	17.1	1,077.8

(1)1 EUR = ₹ 63.02 as on March 30, 2011 (*Source*: www.rbi.org)

Cartonajes Union S.L.
The following financial data has been derived from the audited financial statements of Cartonajes Union S.L. for the periods indicated below:

CARTONAJES UNION S.L.	Fiscal year ended on December 31, 2007		Fiscal year ended on December 31, 2008		Fiscal year ended on December 31, 2009	
	EUR Mn	₹ Lacs(1) (approximately)	EUR Mn	₹ Lacs(1) (approximately)	EUR Mn	₹ Lacs(1) (approximately)
Total Income	115.3	72,682.2	111.9	70,542.1	95.9	60,440.6
Profit After Tax	7.7	4,836.8	8.6	5,395.1	6.7	4,207.8
Equity Capital	11.8	7,438.3	11.8	7,438.3	11.8	7,438.3
Reserves	58.5	36,847.8	34.5	21,729.9	41.3	26,032.3
Total Shareholders' Equity	70.3	44,286.0	46.3	29,168.2	53.1	33,470.6
EPS (EUR/ ₹)	39.1	2,462.9	43.6	2,747.2	34.0	2,142.6
Book Value per share (EUR/ ₹)	357.8	22,550.4	235.7	14,852.4	270.4	17,043.1

(1)1 EUR = ₹ 63.02 as on March 30, 2011 (*Source*: www.rbi.org)

Cartonajes International S.L.
The following financial data has been derived from the audited financial statements of Cartonajes International S.L. for the periods indicated below:

CARTONAJES INTERNATIONAL S.L.	Fiscal year ended on December 31, 2007		Fiscal year ended on December 31, 2008		Fiscal year ended on December 31, 2009	
	EUR Mn	₹ Lacs(1) (approximately)	EUR Mn	₹ Lacs(1) (approximately)	EUR Mn	₹ Lacs(1) (approximately)
Total Income	122.6	77,273.2	122.3	77,079.1	100.7	63,451.1
Profit After Tax	3.6	2,272.5	3.4	2,115.6	3.4	2,137.0
Equity Capital	1.0	646.0	1.0	646.0	1.0	646.0
Reserves	21.6	13,611.7	25.0	15,727.9	28.3	17,864.3
Total Shareholders' Equity	22.6	14,257.6	26.0	16,373.9	29.4	18,510.2
EPS (EUR/ ₹)	10.6	667.4	9.9	621.3	10.0	627.6
Book Value per share (EUR/ ₹)	66.4	4,187.0	76.3	4,808.5	86.3	5,435.9

(1)1 EUR = ₹ 63.02 as on March 30, 2011 (*Source*: www.rbi.org)

Inducar S.L.
The following financial data has been derived from the audited financial statements of Inducar S.L. for the periods indicated below:

INDUCAR S.L.	Fiscal year ended on December 31, 2007		Fiscal year ended on December 31, 2008		Fiscal year ended on December 31, 2009	
	EUR Mn	₹ Lacs[(1)] (approximately)	EUR Mn	₹ Lacs[(1)] (approximately)	EUR Mn	₹ Lacs[(1)] (approximately)
Total Income	17.2	10,816.1	18.2	11,443.8	15.5	9,751.1
Profit After Tax	1.5	947.2	1.9	1,198.0	1.6	1,009.0
Equity Capital	0.6	402.1	0.6	402.1	0.6	402.1
Reserves	4.4	2,792.4	6.5	4,085.0	8.1	5,093.9
Total Shareholders' Equity	5.2	3,289.0	7.1	4,487.0	8.7	5,496.0
EPS (EUR/ ₹)	141.7	8,927.3	179.2	11,291.3	150.9	9,509.4
Book Value per share (EUR/ ₹)	491.9	30,999.2	671.1	42,290.5	822.0	51,799.9

(1) 1 EUR = ₹ 63.02 as on March 30, 2011 (*Source*: www.rbi.org)

5.34 None of the subsidiaries indicated above are listed entities or are classified as Sick Industrial Companies.

5.35 IPCO has a subsidiary called IP India Private Ltd, details enclosed below.

NAME OF COMPANY	% SHAREHOLDING	DATE OF INCORP.	REGISTERED OFFICE	NATURE OF BUSINESS
IP India Private Ltd.	100%	8/11/2008	No.603, 6th Floor, Swapnalok Complex, 92/93, Sarojini Devi Road, Secunderabad – 500003, Andhra Pradesh, INDIA	Carry on business as manufacturers, producers, dealers, importers, exporters, stockiest, agents, brokers, traders, retailers of all kinds of paper and packages, board, sheets, packing materials, stationery goods and articles made fully or partly of paper for domestic, household, educational, commercial, industrial, government or public use

IP INDIA PRIVATE LTD	Fiscal year ended on December 31, 2007	Fiscal year ended on December 31, 2008	Fiscal year ended on December 31, 2009
	₹ Lacs	₹ Lacs	₹ Lacs
Total Income	NA	4.5	95.0
Profit After Tax	NA	(14.8)	8.5
Equity Capital	NA	357.0	357.0
Reserves	NA	(14.8)	(6.3)
Total Shareholders' Equity	NA	342.2	350.7
EPS (₹)	NA	(0.4)	0.2
Book Value per share (₹)	NA	9.6	9.8

IP India Private Ltd. is not classified as a Sick Industrial Company.

5.36 Future plans with regard to the Target Company:

- The Acquirer and the PAC do not have any plans to dispose of or otherwise encumber any assets of the Target Company in the next 2 (two) years, except in the ordinary course of business of the Target Company and except to the extent required for the purpose of restructuring and/or rationalization of assets, investments, liabilities or otherwise of the Target Company.
- The Acquirer and the PAC wish to grow in the Indian paper and packaging markets and believe that the Target Company is a good platform for entry into the Indian market. Post completion of Acquisition, the acquirer plans to explore various opportunities to grow the business of the Target Company.
- It will be the responsibility of the board of directors of the Target Company to make appropriate decisions in these matters in accordance with the requirements of the business. Such approvals and decisions will be governed by the provisions of the relevant regulations or any other applicable laws or legislation at the relevant time. Further, the Acquirer and the PAC undertake that they shall not sell, dispose of or otherwise encumber any substantial asset of the Target Company except with the prior approval of the shareholders of the Target Company.

6. DISCLOSURE IN TERMS OF REGULATION 21(2)

As per Clause 40A of the listing agreement with the BSE and NSE (the "**Listing Agreement**"), the Target Company is required to maintain at least 25 % public shareholding on a continuous basis. Based on the existing Offer Size, the public shareholding in the Target Company will not fall below 25% of the share capital upon the successful closure of this Offer even assuming full acceptances.

7. BACKGROUND OF THE TARGET COMPANY

7.1 APPM was incorporated on June 29, 1964 as a joint venture between the Government of Andhra Pradesh and Somani Group, to take over Andhra Paper Mills, a concern run by the Government of Andhra Pradesh. In 1966, the Somani group transferred its ownership rights to West Coast Paper Mills Limited. In the year 1981, West Coast Paper Mills Limited transferred its ownership rights to Digvijay Investments Limited, a Company controlled by Shri L.N. Bangur and his associates. In the year 2000, Government of Andhra Pradesh transferred its entire shareholding to Digvijay Investments Limited. APPM is now the flagship company of the L. N. Bangur group.

7.2 The registered office of APPM is located at Rajahmundry – 533 105, East Godavari District, Andhra Pradesh, India. The corporate office is located at 501/509, 5th Floor, Swapnalok Complex, 92, 93 Sarojini Devi Road, Secunderabad 500 003. Tel: +91 40 3048 2614, 2781 3715 Fax: +91 40 2781 3717, Email: secl@andhrapaper.com

7.3 APPM is one of the largest, integrated pulp and paper manufacturers in India and has done pioneering work in several areas in the pulp and paper industry. It produces a wide variety of products ranging from writing & printing papers, Kraft paper and newsprint thereby catering to different segments of the market. APPM owns and operates 2 (two) units – Rajahmundry and Kadam both in Andhra Pradesh. The unit based at Rajahmundry is an integrated wood based paper mill with a rated capacity to produce 174,000 million tons per annum ("**MTPA**") of finished paper and 181,500 MTPA of bleached pulp production. The unit manufactures uncoated writing and printing paper mainly copiers, industrial papers and posters using Casuarina and Subadul as main source of pulpwoods. The unit based at Kadiam (Unit CP), has a rated capacity to produce 67,000 MTPA of finished paper such as creamwove, azurelaid, coloured copiers, kraft liner and newsprint using agri-residue, recycled fibers and purchased pulp as base raw materials.

7.4 Key events in APPM history since incorporation are highlighted in the following table –

MAJOR EVENTS	
The significant events in the Company's history are as follows:	
Year	Mile Stones / Achievements
1921	Mill first installed under the Name of Carnatic Paper Mills Ltd.
1924	Paper production started with a capacity of 3000 MTPA of paper
1953	Andhra Pradesh Government taken over the Mill
1964	APPM became a Joint Stock Company
1966	Mill was commissioned by the New Management.
1967-68	Capacity enhanced to 30000 MTPA
1969	Effluent Treatment System installed
1970	APPM in-house R&D Unit was set up
1974	Capacity increased to 60000 MTPA
1974	DSIR Initial Recognition as In-house R&D Centre received
1977	Tu/Iv-rd/138. Since then continually getting recognition Training Department started formally in 1977
1984	Capacity increased 85000 MTPA
1984	Coal fired boiler # 5 was commissioned.
1985	Primary Effluent Treatment System started
1987	Free Flow Falling Film type evaporation plant commissioned.
1988	Need based training was introduced in 1988
1991	Secondary Effluent Treatment System started
1991-92	12 MW turbo generator commissioned
1991-92	Coal fired boilers (2Nos.) converted to FBC system.
1994	Recovery boiler No.3 commissioned
1994	2.5 Mgd Paper Machine Back water Reclamation Plant installed
1994	Bleach plant No.3 commissioned

MAJOR EVENTS	
1995-96	Chlorine Dioxide Plant commissioned
1996	PM# 3 rebuilt and capacity increased to 98500 MTPA.
1997	Rotary Lime Kiln # 1 commissioned
1998	Coal fired boilers (2Nos.) converted to FBC system. ESPs were installed replacing the bag filters.
1998	ISO 9002: 1994 Certificate Achieved Unit: APPM
1999	ESPs were installed for balance two numbers of coal fired boilers replacing the bag filters.
2000	320 TPD Chemical Washer Plant commissioned
2000	Coastal Paper Mills Ltd Acquired
2002	ISO 14001:1996 Certificate Achieved Unit: APPM
2002	Coastal Paper Mills has become a division of APPM Ltd
2002	LVHC Non-Condensable Gases incineration system installed.
2003	ISO 9001:2000 (Upgradation of ISO 9002:1994) obtained Unit: APPM
2004	OHSAS 18001: 1999 Certificate Achieved Unit: APPM.
2004	Secondary clarifier for waste water treatment commissioned at Unit:CP.
2004	Diffused aeration system in waste water treatment plant was commissioned at Unit:CP.
2005	ISO 9001: 2000 Certificate achieved Unit: CP.
2006	SAP system commissioned.
2006	Projects commissioned under Mill Development Plan:
	Evaporation plant
	DM Water plant
	Recovery Boiler No.4
	Causticizing plant retrofit with installation of CD filter.
	Lime kiln No.2
	LVHC Non-Condensable Gases incineration system installed.
	Diffused aeration system for water treatment.
	Cooling tower for waste water.
	Chipper house.
	Turbo Generator of 34 MW capacity.
	Cooking plant.
	Fiber line.
	Chlorine Dioxide Plant.
	Oxygeneration plant.
	Chilling plant
	Wet Lap Machine # 2 was installed.
	Centralized refining system for PM# 2, 3 & 5.
2007	A4 line at Unit: APPM
	PM# 3 rebuilt and capacity increased to 108000 MTPA.
	HVLC Non-Condensable Gases incineration system installed.
	PM#3 rebuilt at Unit:CP.
2007	Black Liquor De-silication plant commissioned at Unit:CP.
2008	Coal fired boiler # 6 was commissioned.
2008	Wet Lap Machine # 3 was installed.
2009	Waste sludge de-watering machine commissioned at Unit:CP.
2010	Paper Machine # 6 at Unit:APPM and capacity increased to 175000 MTPA
2010	Two numbers of cutters commissioned at NTC godown (Unit:APPM).
2010	FSC certification achieved at Unit:APPM
2010	ISO 14001 Certificate Achieved for Unit: CP
2011	One sheet cutter and A4 line at SN Palem commissioned.
	Projects under progress:
2011	Retrofit of De-Inking Plant at Unit:CP

MAJOR EVENTS	
2011	Installation of additional ESP and retrofit of Recovery Boiler # 4
2011	Retrofit of ESPs of coal fired boilers No.1 to No.5.
2011	Construction of D1 tower for DnD sequence in Bleach Plant.
2011	On-line monitoring systems for stacks, ambient air quality and TOC analyzer for waste water at Unit:APPM
2011	On-line monitoring system for stack and TOC analyzer for waste water at Unit:CP.

7.5 APPM is promoted by the Kolkata based L.N. Bangur Group which held 21,260,008 Shares in APPM comprising 53.46% of its Shares as of March 31, 2011.

7.6 Share capital structure of the Target Company as on the date of Public Announcement is as follows:

	NO OF SHARES/ VOTING RIGHTS FACE VALUE (₹ 10/- EACH)	% OF SHARES
Authorized share capital	40,000,000 equity shares of ₹ 10 each 500,000 Redeemable Cumulative Preference Shares ₹ 100 each	-
Issued and paid up equity shares	39,770,039 equity shares of ₹ 10 each	100%
Partly paid up equity shares	NIL	NIL
Total voting rights in APPM	39,770,039 equity shares of ₹ 10 each	100%

7.7 As on the date of this Letter of Offer there are no outstanding partly paid up equity shares or any other instruments convertible into equity shares at a future date, in the books of the Target Company. The fully diluted capital for the Target Company as on the date of the Public Announcement, is calculated as below:

Particulars	No. of equity shares
Issued and paid up equity shares outstanding as on the date of PA	39,770,039

7.8 Capital structure of APPM since inception and the disclosure status of compliance with applicable provisions of the SEBI (SAST) Regulations and other statutory requirements as applicable:

DATE OF ALLOTTMENT	NO OF SHARES	% OF SHARES	CUMULATIVE PAID UP CAPITAL	MODE OF ALLOTMENT	IDENTITY OF ALLOTTESS (PROMOTER/EX-PROMOTER/ OTHERS)	STATUS OF COMPLIANCE WITH SEBI (SAST) REGULATIONS
04.07.1964	15	100.00	1500	Subscription on signing of Memorandum of Association	Subscribers to Memorandum	NA
04.07.1964& 21.07.1964	19985	99.93	2000000	Further allotment	Directors and their relatives & Govt. of Andhra Pradesh	NA
29.10.1964	112,000	84.85	13200000	Further allotment	West Coast Paper Mills Ltd., & Govt. of Andhra Pradesh	NA
20.09.1966	68000	34.00	20000000	Further allotment	West Coast Paper Mills Ltd., & Govt. of Andhra Pradesh	NA
10.03.1967	100000	33.33	30000000	Public Issue	Others	NA
26.02.1970	75000	20	37500000	Public Issue	Others	NA
12.05.1973	75000	16.67	45000000	Rights issue 1:5	Promoters & Others	NA
05.08.1980& 22.10.1980	112500	20.00	56250000	Bonus Issue 1:4	Promoters & Others	NA
15.06.1999	561900	49.97	112440000	Rights Issue 1:1	Promoters & Others	Complied
12.10.1999	89	0.01.	112448900	RI 1999 -kept in abeyance	Others	NA

DATE OF ALLOTTMENT	NO OF SHARES	% OF SHARES	CUMULATIVE PAID UP CAPITAL	MODE OF ALLOTMENT	IDENTITY OF ALLOTTESS (PROMOTER/EX-PROMOTER/ OTHERS)	STATUS OF COMPLIANCE WITH SEBI (SAST) REGULATIONS
13.12.1999	333	0.03	112482200	RI 1999 -kept in abeyance	Others	NA
29.01.2000	67	0.01	112488900	RI 1999 -kept in abeyance	Others	NA
16.01.2001	The above mentioned shares 11,24,889 of ₹ 100/- each sub divided into 11248890 equity shares of ₹ 10/- each.					
18.12.2001	580000	4.90	118288900	Scheme of amalgamation	Others	NA
12.03.2005	1110	0.01	118300000	RI 1999 -kept in abeyance	Others	NA
20.04.2005	79840	0.07	119098400	Preferential allotment	Others	Complied
12.09.2005	11909840	50.00	238196800	Rights Issue 1:1	Promoters & Others	Complied
11.04.2007	1913875	7.44	257335550	Preferential Issue	Promoters	Complied
30.03.2010	7018242	21.43	327517970	Rights Issue 3:11	Promoters & Others	Complied
02.12.2010	7018242	17.65	397700390	Warrant Conversion	Promoters & Others	Complied

7.9 Promoter capital build up from 31-03-1997 till date of the PA

YEAR	TOTAL HOLDING OF PROMOTERS	% HOLDING TO PAID UP CAPITAL	REMARKS
31-03-1997	207385	36.87	
	6755	1.20	Market purchase
31-03-1998	214140	38.07	
	17567	3.12	Market purchase Sub regulation (1-A) of Regulation 7 within SEBI(SAST) as existing at that time required disclosures of acquisition when such acquisition aggregated to 5% and 10% of the voting rights. Disclosure of 2% or more of share capital had come into force only from 9.9.2002.
31-03-1999	231707	41.19	
	10398	0.62	Market purchase
	281576	3.82	Rights issue 1:1 on 15.06.1999 as disclosed to stock exchanges. 39471 additional shares were allotted beyond promoter group entitlement following under subscription by other shareholders
31-03-2000	513283	45.63	
	5132830	45.63	Sub division of face value of equity shares from ₹.100/- to ₹.10/- each on 16.01.2001 leading to expansion of capital base. The face value of Shares until January 16, 2001 was ₹ 100/- each.
	21360	0.19	Market purchase
31-03-2001	5154190	45.82	
	5154190	43.57	Promoters shareholding has fallen because of increase in paid up capital from 11248890 to 11828890 shares consequent upon issue of 5,80,000 equity shares of ₹10/- each to erstwhile shareholders of Coastal Papers Limited (CPL) following amalgamation of CPL and APPM
	20500	0.17	Market sale

YEAR	TOTAL HOLDING OF PROMOTERS	% HOLDING TO PAID UP CAPITAL	REMARKS
31-03-2001	5133690	43.40	
	10181	0.09	Market purchase
31.03.2002	5143871	43.49	Share capital of APPM had gone up by 5,80,000 equity shares of ₹ 10/- each during the year FY2001-02 consequent upon issue of shares to erstwhile shareholders of Coastal Papers Limited (CPL) following amalgamation of CPL with APPM which resulted in reduction of percentage of promoters' shareholding.
	354894	3.00	Market purchase by promoter group entities. Relevant disclosure made to stock exchanges by entity exceeding 2%.
	5498765	46.49	
	20000	0.17	Market sale
31-03-2003	5478765	46.32	
	341726	2.89	Sale of shares by one promoter group entity to another promoter group entity as disclosed to stock exchanges as well as market purchase.
	5820491	49.21	
	3000000	25.36	Disinvestment of 30, 00,000 shares on 18.12.2003 by Government of Andhra Pradesh in favour of promoters through interse transfer of shares.
	8820491	74.57	
	798530	6.75	Sale of shares by a promoter group entity to another promoter group entity as well as open market sales by promoter group entities as disclosed to stock exchanges.
31.03.2004	8021961	67.82	
	189670	1.60	Market purchase
	8211631	69.42	
	164200	1.39	Market sale
31-03-2005	8047431	68.03	
	3077704	25.84	Rights Issue of 1:1 on 12.05.200 6 as disclosed to stock exchanges. The promoters renounced 50,61,050 shares in favour of IFC, DEG and Finnfund and 26,000 shares in favour of Trustees, IVC Employees Welfare Trust. Out of 8047431 equity shares of promoter’s entitlement, 5087050 were renounced and 117323 additional shares were allotted beyond their net entitlement of 2960381 shares.
31-03-2006	11125135	46.71	
	1000	0.01	Market sale
31-03-2007	11124135	46.70	
	1913875	7.44	Preferential issue of shares to promoter group entity under regulation 7(3) of SEBI (SAST) Regulations as disclosed to stock exchanges.
31-03-2008	13038010	50.67	
	15953	0.06	Market purchase
31-03-2009	13053963	50.73	
	24090	0.09	Market purchase
	13078053	50.82	
	3986393	1.28	Rights issue of 3:11 on 02.12.2010 as informed to stock exchanges

YEAR	TOTAL HOLDING OF PROMOTERS	% HOLDING TO PAID UP CAPITAL	REMARKS
31.03.2010	17064446	52.10	
	163433	0.50	Market purchase
	17227879	52.60	
	4032129	0.86	Warrant conversion as informed to stock exchanges
31-03-2011	21260008	53.46	

7.10 As per the confirmation provided by APPM, the promoters and all major shareholders of APPM have complied with the provisions of Chapter II of SEBI (SAST) Regulations as under

Statement showing filing of disclosure of shareholding under 6(1), 6(2), 6(3), 8(1) and 8(2) of SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 1997 by the Promoter group to the Company since 1997

S.No	Regulation/ Sub Regulation	Due date for compliance as mentioned in the Regulation	Actual Date of compliance	Delay, if any, (in No. of days) Col. 4 Col. 3	For the period ended/ As on Book Closure Date
1	2	3	7.10.1 4	7.10.2 5	7.10.3 6
1	7.10.4 6(1)	7.10.5 20.04.1997	7.10.6 19.04.1997	7.10.7 Nil	7.10.8 Notification date 20.02.1997
2	7.10.9 6(3)	7.10.1020.04.1997	7.10.1119.04.1997	7.10.12Nil	
3	8(2)	04.10.1997	22.09.1997	Nil	BC Date 13.09.1997
4	8(1) & 8(2)	21-04-1998	13.04.1998	Nil	31-03-1998
5	8(2)	08.09.1998	22.08.1998	Nil	BC Date 18.08.1998
6	8(1) & 8(2)	21.04.1999	13.04.1999	Nil	31.03.1999
7	8(2)	07.08.1999	26.07.1999	Nil	BC Date 17.07.1999
8	8(1) & 8(2)	21-04-2000	17.04.2000	Nil	31-03-2000
9	8(2)	21.10.2000	04.10.2000	Nil	BC Date 30.09.2000
10	8(1) & 8(2)	21-04-2001	11.04.2001	Nil	31-03-2001
11	8(2)	24.08.2001	08.08.2001	Nil	BC Date 03.08.2001
12	8(1) & 8(2)	21-04-2002	04.04.2002	Nil	31-03-2002
13	8(2)	13.08.2002	02.08.2002	Nil	BC Date 23.07.2002
14	8(1) & 8(2)	21-04-2003	11.04.2003	Nil	31-03-2003
15	8(2)	28.08.2003	19.08.2003	Nil	BC Date 07.08.2003
16	8(1) & 8(2)	21-04-2004	12.04.2004	Nil	31-03-2004
17	8(2)	16.07.2004	25.06.2004	Nil	BC Date 25.06.2004
18	8(1) & 8(2)	21-04-2005	09.04.2005	Nil	31-03-2005
19	8(2)	19.07.2005	30.06.2005	Nil	BC Date 29.06.2005
20	8(1) & 8(2)	21-04-2006	10.04.2006	Nil	31-03-2006
21	8(2)	04.08.2006	21.07.2006	Nil	BC Date 14.07.2006
22	8(1) & 8(2)	21-04-2007	03.04.2007	Nil	31-03-2007
23	8(2)	07.08.2007	21.07.2007	Nil	BC Date 17.07.2007
24	8(1) & 8(2)	21-04-2008	07.04.2008	Nil	31-03-2008
25	8(2)	20.06.2008	02.06.2008	Nil	BC Date 30.05.2008
26	8(1) & 8(2)	21-04-2009	08.04.2009	Nil	31-03-2009
27	8(2)	08.09.2009	18.08.2009	Nil	BC Date 18.08.2009
28	8(1) & 8(2)	21-04-2010	12.04.2010	Nil	31-03-2010
29	7.10.138(2)	7.10.1412.07.2010	7.10.1521.06.2010	7.10.16Nil	7.10.17BC Date 21.06.2010
30	7.10.188(1) & 8(2)	7.10.1921-04-2011	7.10.2001.04.2011	7.10.21Nil	7.10.2231-03-2011

7.11 Statement showing filing of disclosure of shareholding under regulation 7(1) and 7(1A) of SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 1997 by the Promoter group to the Company since 1997

S.No.	Regulation/ Sub Regulation	Date of purchase/sale of shares/intimation of allotment	Due date for compliance as mentioned in the Regulation	Actual Date of compliance	Delay, if any, (in No. of days) Col. 5 Col. 4
1	2	3	4	5	6
1	7(1A)	11.11.2002	13.11.2002	11.11.2002	Nil
2	7(1A)	06.06.2003	08.06.2003	06.06.2003	Nil
3	7(1A)	06.06.2003	08.06.2003	06.06.2003	Nil
4	7(1A)	11.12.2003	13.12.2003	12.12.2003	Nil
5	7(1A)	12.12.2003	14.12.2003	13.12.2003	Nil
6	7(1A)	12.12.2003	14.12.2003	13.12.2003	Nil
7	7(1)	19.04.2004	21.04.2004	20.04.2004	Nil
8	7(1)	30.08.2004	01.09.2004	30.08.2004	Nil
9	7(1)	31.08.2004	02.09.2004	31.08.2004	Nil
10	7(1)	07.09.2004	09.09.2004	07.09.2004	Nil
11	7(1)	08.09.2004	10.09.2004	08.09.2004	Nil
12	7(1)	09.09.2004	11.09.2004	09.09.2004	Nil
13	7(1)	10.09.2004	12.09.2004	10.09.2004	Nil
7.11.1 14	7.11.2 7(1)	7.11.3 20.09.2004	7.11.4 22.09.2004	7.11.5 21.09.2004	7.11.6 Nil
15	7(1)	21.09.2004	23.09.2004	22.09.2004	Nil
16	7(1)	22.09.2004	24.09.2004	22.09.2004	7.11.7 Nil
17	7(1)	23.09.2004	25.09.2004	23.09.2004	Nil
18	7(1)	23.09.2004	25.09.2004	23.09.2004	Nil
19	7(1)	24.09.2004	26.09.2004	24.09.2004	Nil
20	7(1)	24.09.2004	26.09.2004	24.09.2004	Nil
21	7(1)	27.09.2004	29.09.2004	27.09.2004	Nil
22	7(1)	07.10.2004	09.10.2004	07.10.2004	Nil
23	7(1)	08.10.2004	10.10.2004	08.10.2004	Nil
24	7(1)	08.02.2005	10.02.2005	09.02.2005	Nil
25	7(1A)	28.09.2005	30.09.2005	29.09.2005	Nil
26	7(1A)	29.09.2005	01.10.2005	30.09.2005	Nil
27	7(1A)	29.09.2005	01.10.2005	30.09.2005	Nil
28	7(1)	30.09.2005	02.10.2005	01.10.2005	Nil
29	7(1A)	13.10.2005	15.10.2005	14.10.2005	Nil
30	7(1A)	14.10.2005	16.10.2005	15.10.2005	Nil
31	7(1A)	17 to 19.10.2005	21.10.2005	20.10.2005	Nil
32	7(1A)	06.12.2005	08.12.2005	07.12.2005	Nil
33	7(1)	15.02.2006	17.02.2006	16.02.2006	Nil
34	7(1)	12.04.2007	14.04.2007	13.04.2007	Nil
35	7(1A)	7.11.8 05.04.2010	7.11.9 07.04.2010	7.11.1006.04.2010	7.11.11Nil
36	7(1A)	03.08.2010	05.08.2010	04.08.2010	Nil
37	7(1A)	10.12.2010	12.12.2000	10.12.2000	Nil

7.12 As per the confirmation provided by APPM, APPM has complied with the provisions of Chapter II of SEBI (SAST) Regulations as under

SL. NO.	REGULATION/ SUB-REGULATION	DUE DATE FOR COMPLIANCE AS MENTIONED IN THE REGULATION	ACTUAL DATE OF COMPLIANCE	DELAY, IF ANY (IN NO. OF DAYS) COL. 4 COL. 3	REMARKS
1.	6(2)	20-5-1997	28-04-1997	NIL	-
2.	6(4)	20-5-1997	07-05-1997	NIL	-
3.	8(3)	30-4-1998	20-04-1998	NIL	-

SL. NO.	REGULATION/ SUB-REGULATION	DUE DATE FOR COMPLIANCE AS MENTIONED IN THE REGULATION	ACTUAL DATE OF COMPLIANCE	DELAY, IF ANY (IN NO. OF DAYS) COL. 4 COL. 3	REMARKS
4.	8(3)	30-4-1999	21-04-1999	NIL	-
5.	8(3)	30-4-2000	20-04-2000	NIL	-
6.	8(3)	30-4-2001	20-04-2001	NIL	-
7.	8(3)	30-4-2002	19-04-2002	NIL	-
8.	8(3)	30-4-2003	21-04-2003	NIL	-
9.	8(3)	30-4-2004	27-04-2004	NIL	-
10.	8(3)	30-4-2005	15-04-2005	NIL	-
11.	8(3)	30-4-2006	27-04-2006	NIL	-
12.	8(3)	30-4-2007	17-04-2007	NIL	-
13.	8(3)	30-4-2008	17-04-2008	NIL	-
14.	8(3)	30-4-2009	14-04-2009	NIL	-
15.	8(3)	30-4-2010	20-04-2010	NIL	-
16.	8(3)	30-4-2011	11-04-2011	NIL	-
16.	7(3)	----	----		

7.13 The shares of APPM are listed on BSE and the NSE. As per the confirmation provided by APPM, all the issued Shares of APPM are listed. There has been no suspension of trading of the Shares of the Target Company on the Stock Exchanges.

7.14 APPM is in compliance with the listing agreement as on the date of the Public Announcement and no penal/punitive action has been initiated against APPM by the stock exchanges where its shares are listed.

7.15 The name and address of the board of directors of APPM as on the date of the Public Announcement are as follows:

NAME OF THE DIRECTOR	DESIGNATION & APPOINTMENT DATE	QUALIFICATION	EXPERIENCE	RESIDENTIAL ADDRESS
L.N. Bangur (Mr.)	Executive Chairman 02.05.1985	B.Com	He has 25 years of experience and was appointed as Director of the Company on 2nd May, 1985 and then became Chairman of the Company in 1992. He has taken over as Executive Chairman on 27th May, 2010. He is also the Chairman and Managing Director of Maharaja Shree Umaid Mills Limited since August, 1993.	7, Munshi Premchand Sarani, Hastings, Kolkata – 700 022
Alka Bangur (Ms.)	Director 20.09.1996	M.A. - English & Hindi M.B.A	She has 17 years of experience and was appointed as Managing Director of The Peria Karamalai Tea & Produce Co. since September 1993.	7, Munshi Premchand Sarani, Hastings, Kolkata – 700 022
N. Srinivasan (Mr.)	Director 04.09.1998	B.Com. FCA	He has more than 4 decades of experience and was associated with Fraser & Ross as partner/Chairman for more than 35 years. He is also a Director of a number of reputed companies.	T-18/1, 6th Avenue Besant Nagar, Chennai – 600 090

NAME OF THE DIRECTOR	DESIGNATION & APPOINTMENT DATE	QUALIFICATION	EXPERIENCE	RESIDENTIAL ADDRESS
R.C. Sarin (Mr.)	Director 24.01.2006	P.G.- Business Management	He has more than 4 decades of experience and was associated with (a) ITC for 26 years in different capacities including Director and Deputy Chairman on their Board and also the Chairman of Bhadrachalam Paper Boards Ltd. (b) Voltas for 4 years as President and Chief Executive (c). Carrier Aircon Ltd for 17 years.	3, Shanti Kuteer 215, Netaji Subhash Road, Marine Drive, Mumbai – 400 020
P J V Sarma (Mr.)	Director 30.10.2007	B.Tech, AICWA, PG Diploma – Financial Management, IFMR, Chennai	He has 28 years of experience and had served ICICI group for over 25 years in various managerial capacities. He is presently associated with Navabharat Group.	B-403, Matrukrupa Apts, Anandnagar Colony Khairatabad, Hyderabad – 500 004
P K Paul (Mr.)	Director 12.05.2008	B.E – Chemical, P.G. Diploma – Pulp & Paper Technology	He has more than 3 decades of experience and was associated with Phoenix Pulp and Paper Public Co. Ltd. Thailand (Managing Director), Panjapole Pulp and Paper Co. Ltd., Thailand (Managing Director), European Overseas Development Corporation (Asia) (Executive Director), Plantation Club, a Five Star Hotel in Seychelles (Director) and Evergreen Pulp & Paper Company Ltd., Thailand (Chairman).	“Uttarayan” Flat 9B, 24/1A, Ballygunge Circular Road, Kolkata – 700 019
Rajiv Kapasi (Mr.)	Director 12.05.2008	C.A M.B.A, Chicago, Certified Internal Auditor, Institute of Internal Auditors Inc, USA	He has over a decade of expertise across various sectors of , Manufacturing, Retail, Healthcare, etc.. He served Ernst & Young in the Risk and Business Solutions Department from May, 2002 to August, 2003 and thereafter as Vice President in Jubilant Organosys Limited. After leaving Jubilant Organosys Limited in February, 2010, he had promoted BMACLLP in March, 2010 and is presently functioning as its Managing Director.	G-66, Second Floor South City – II Gurgaon – 122 018

NAME OF THE DIRECTOR	DESIGNATION & APPOINTMENT DATE	QUALIFICATION	EXPERIENCE	RESIDENTIAL ADDRESS
P R Ramakrishnan (Mr.)	Director 22.10.2010	B.Com, BL	He has 35 years of experience and has been practising as an advocate in Civil Law for the past 35 years in various Judicial Forums including Madras High Court, District Courts and Debt Recovery Tribunal.	2, Ramar Koil Street, Ramnagar, Coimbatore – 641 009
M K Tara (Mr.)	Managing Director & CEO 07.11.2007	B.E - Chemical	He has more than 35 years of experience at various levels and in different facets of project management and administration of large pulp and paper mills both in India and abroad. He was associated with Abhishek Industries Ltd., Tamilnadu Newsprint and Paper Limited, Panjapol Pulp and paper Co. Ltd., Thailand and Phoenix Pulp and Paper Public Co. Ltd., Thailand, Sabah Forest Industries, Malaysia, Hindustan paper Corporation Ltd., Hindustan Newsprint Mill etc.	155, Srila Heights 25-B, St.Johns Road East Marredpally Secunderabad – 500026
Sheetal Bangur (Ms.)	Director (Commercial) 28.01.2002	Post Graduate – Commerce & Business Administration	She has 9 years of experience and has been a Director of the Company since 28th January, 2002. She had taken over as Director (Commercial) with effect from 1st April, 2005.	8-2-293/74/1/10-11, Plot No. 11, Banjara Hills, Hyderabad – 500 034
Shreeyash Bangur (Mr.)	Director (Corprorate) 19.02.2007	B.SC – Accounting & Management, M.SC – Engineering Business Management	He has 8 years of experience and worked for two years in Ernst & Young before joining APPM in April, 2005. He was working as Vice President (Corporate Planning & Business Development) before taking over as Director (Corporate) in February, 2007.	H.No.8-2-293/82/A/558 and 1, Road No. 31, Jubilee Hills, Hyderabad – 500 033
P K Suri (Mr.)	Director (Operations) 12.05.2008	B.Tech - Chemical	He has 32 years of experience in paper industry. He was earlier associated with J.K.Paper Mills Ltd. and Star Paper Mills Ltd. before joining APPM in 1997. He took over as Director (Operations) in May 2008.	Quarter No. A1/1, A.P.Paper Mills Colony, Rajahmundry – 533 105

7.16 The Acquirer has satisfied requirements under regulation 22(7) of the SEBI(SAST) regulations and accordingly Mr. Paul Brown was appointed as Nominee Director of the Acquirer on the Board of Directors of APPM on May 18, 2011.

7.17 All the accounts of the Target Company as on date of this Letter of Offer are audited accounts. Brief financials of APPM are presented below: (Source: Audited Accounts for 2007-08, 2008-09, 2009-10 and Auditors limited review for the period ending December 31, 2010)

Profit and Loss Account

***ALL* FIGURES IN ₹ LACS**	**FY ended March 31, 2008**	**FY ended March 31, 2009**	**FY ended March 31, 2010**	**Nine month period ended December 31, 2010**
Income from Operations	57,888.6	62,794.9	64,907.9	52,701.6
Increase/ (Decrease) in stocks	1,282.9	3,086.5	(1,844.4)	2,865.5
Other Income	1,325.9	1,023.3	828.5	1,164.0
Total Income	60,497.5	66,904.7	63,892.0	56,731.1
Total Expenditure	52,464.3	54,367.7	48,589.3	44,204.1
Profit Before Depreciation, Interest and Tax	8,033.1	12,537.0	15,302.7	12,527.0
Depreciation	5,236.2	5,411.2	5,581.7	5,010.9
Interest Expense	1,536.1	4,937.1	3,215.5	2,940.7
Exceptional Items	705.5	-	-	-
Profit Before Tax	1,966.4	2,188.7	6,505.5	4,575.4
Taxation	312.4	293.3	1,086.2	923.0
Net Profit	1,654.0	1,895.4	5,419.3	3,652.4

Balance Sheet

ALL FIGURES IN ₹ LACS	**FY ended March 31, 2008**	**FY ended March 31, 2009**	**FY ended March 31, 2010**	**Nine month period ended December 31, 2010**
Sources of Funds				
Paid up Share Capital	2,573.4	2,573.4	3,275.2	3,977.0
Reserves and Surplus (excluding revaluation reserves)	39,069.6	39,224.4	47,019.4	53,475.9
Net Worth/Shareholders Equity	**41,642.9**	**41,797.8**	**50,294.5**	**57,452.9**
Secured Loans	43,584.5	47,477.8	45,695.4	41,775.2
Unsecured Loans	9,608.6	8,625.4	3,641.2	3,994.7
Total loans	**53,193.1**	**56,103.2**	**49,336.6**	**45,769.9**
Deferred Tax Liability	2,117.5	2,165.6	3,075.3	3,998.3
Total	**96,953.5**	**100,036.5**	**104,054.2**	**107,221.1**
Uses of Funds				
Net fixed assets	86,390.2	90,333.1	90,395.0	88,880.0
Investments	1,664.3	1,664.3	1,664.3	1,664.3
Net Current Assets	8,665.8	7,926.3	10,647.0	16,676.7
Total Misc Exp. Not written off	233.2	142.7		
Total	**96,953.5**	**100,066.5**	**102,706.4**	**107,221.1**

Other Financial Data

ALL FIGURES IN ₹ LACS	**FY ended March 31, 2008**	**FY ended March 31, 2009**	**FY ended March 31, 2010**	**Nine month period ended December 31, 2010**
Dividend %(1)	10%	5%	10%	NA
Earnings per Share - Basic	6.4	7.4	21.0	11.0
Return On Net Worth %(2)	4.0%	4.6%	10.8%	6.4%
Book Value Per share(3)	162	162	155	144

(1)Dividend % - dividend per share upon earnings per share

(2)Return On net worth has been calculated as net income / Shareholder's equity

(3)Book value per share has been calculated as Shareholder's equity/ No. of shares

7.18 Reasons for Rise /Fall in Total Income/PAT:

- Nine month period ended December 31, 2010 compared with the nine month period ended December 31, 2009:

Particulars	Nine months ended December 31, 2010 (₹ in lacs)	Nine months ended December 31, 2009 (₹ in lacs)	Movement (₹ in lacs)	Reasons for the movement
Total Income (Net Sales and other income, excludes Increase/ (Decrease) in Stocks)	53,865.6	45,104.3	8,761.4	Sales volumes for the 9 months ended Dec 2010 was higher at 125,667 MT in comparison to the relative period ended Dec 2009 levels of 103,473 MT. Net Sales Realisation per Metric ton grew both in domestic and export segments. The increase in volumes & Net Sales Realisation contributed to a higher sales value. Also, other income was higher by ₹ 777 lacs owing to sale of fixed assets, and increased sale of power & scrap.
Net Profit /Profit After Tax (PAT)	3,652.4	3,522.6	129.8	For the 9 months ended Dec 2010 the Company could improve its PAT only marginally over the relative period ended Dec 2009 due to higher input costs, retrospective settlement of Wage revision following an agreement with the Union, and higher depreciation cost, and interest & finance charges

- FY ended March 31, 2010 compared with FY ended March 31, 2009:

Particulars	FY ended March 31, 2010 (₹ in lacs)	FY ended March 31, 2009 (₹ in lacs)	Movement (₹ in lacs)	Reasons for the movement
Total Income (Net Sales and other income, excludes Increase/ (Decrease) in Stocks)	65,736.4	63,818.1	1,918.3	Sales volumes in 2009-10 were higher 177,351 MT in comparison to 2008-09 levels of 170,239 MT. Net Sales Realisation (NSR) per MT over the previous year was lower both in the domestic and export markets. In the domestic market, the NSR was lower due to higher volume sales in the tender business and sluggish prices given the bearish market conditions. Improved prices, and change in product mix in the second half did not fully compensate the depressed realizations of the first half.
Net Profit /Profit After Tax (PAT)	5,419.3	1,895.4	3,523.9	In 2009-10 the Company with improved operational efficiency, and incremental contribution achieved Earnings before Depreciation, Amortization, Interest and Taxation (EBITDA) growth of 22%, which translated into a PBT growth of 197%, and PAT growth of 186%. The growth is majorly contributed to a reduced power & fuel cost, reduced stores, chemicals & spares consumption, and lower interest & finance charges in comparison to the previous year.

- FY ended March 31, 2009 compared with FY ended March 31, 2008:

Particulars	FY ended March 31, 2009 (₹ in lacs)	FY ended March 31, 2008 (₹ in lacs)	Movement (₹ in lacs)	Reasons for the movement
Total Income (Net Sales and other income, excludes Increase/ (Decrease) in Stocks)	63,818.1	59,214.5	4,603.6	Sales volumes in 2008-09 were lower at 170,239 MT in comparison to 2007-08 levels of 176,758 MT owing to slow down in the economy in the second half of the year. While the slow down affected price realizations both in the paper & pulp segments, the Company managed its product mix better at Unit CP, and took advantage of the market conditions which enabled it to get better Net Sales Realisation.

Particulars	FY ended March 31, 2009 (₹ in lacs)	FY ended March 31, 2008 (₹ in lacs)	Movement (₹ in lacs)	Reasons for the movement
Net Profit /Profit After Tax (PAT)	1,895.4	1,654.0	241.4	The Company could improve its Profit before Depreciation and Tax to ₹ 7,488.05 lacs from the 2007-08 levels of ₹ 6,497.07 lacs. Consequently this contributed to an increase in the PAT by about 14.6 per cent at 1,895.39 lacs inspite of a higher interest & finance charge of 3,512.89 lacs, and increased depreciation charge of ₹ 174.97 lacs. The improved process efficiencies, and reduced cost of utilities primarily due to gains from implementing the Mill Development Plan (MDP) in the earlier year contributed to the increase in operating profits. The Company had achieved a reduction in the power & fuel costs, and improved its chemical recovery efficiency significantly resulting in cost savings.

- FY ended March 31, 2008 compared with FY ended March 31, 2007:

Particulars	FY ended March 31, 2008 (₹ in lacs)	FY ended March 31, 2007 (₹ in lacs)	Movement (₹in lacs)	Reasons for the movement
Total Income (Net Sales and other income, excludes Increase/ (Decrease) in Stocks)	59,214.5	50,788.1	8,426.4	Sales volumes increased by 13.50 per cent from 155,750 MT in 2006-07 to 176,758 MT in 2007-08. Exports grew by 40.6 per cent over 2006-07. Better price realization in the domestic & export market contributed to the top line growth.
PAT	1,654.0	2,413.2	(759.2)	The Company could improve its EBIDTA at ₹ 8033.14 lacs when compared to the 2006-07 levels of ₹ 7630.18 lacs with absolute increase in volumes. However, with the increase in Interest & Finance charges, and Depreciation cost with completion of Mill Development Plan (MDP), and commissioning of the pulp mill, Earnings Before Tax was significantly affected.

Note: Total income comprises of Net Sales and other income, but excludes Increase/ (Decrease) in Stocks

7.19 The pre & post Offer shareholding pattern of the Target Company based on shareholding as on the date of Letter of Offer is shown below:

SHAREHOLDERS' CATEGORY	SHAREHOLDING & VOTING RIGHTS PRIOR TO THE AGREEMENT/ ACQUISITION		SHARES/VOTING RIGHTS AGREED TO BE ACQUIRED WHICH TRIGGERED OFF THE REGULATIONS		SHARES/VOTING RIGHTS TO BE ACQUIRED IN OPEN OFFER (ASSUMING FULL ACCEPTANCES)		SHAREHOLDING/ VOTING RIGHTS AFTER THE ACQUISITION AND OFFER (excluding dilution effect from outstanding convertible instruments)	
	(A)		*(B)*		*(C)*		*(A)+(B)+(C) =(D)*	
	NO.	*%*	*NO*	*%*	*NO.*	*%*	*NO.*	*%*
(1) Promoter group								
a. Parties to agreement – Promoter Group of APPM	21,260,008	53.46						
b. Promoter group other than (a) above								
Total 1(a+b)	**21,260,008**	**53.46**					**0**	**0.00**

SHAREHOLDERS' CATEGORY	SHAREHOLDING & VOTING RIGHTS PRIOR TO THE AGREEMENT/ ACQUISITION		SHARES/VOTING RIGHTS AGREED TO BE ACQUIRED WHICH TRIGGERED OFF THE REGULATIONS		SHARES/VOTING RIGHTS TO BE ACQUIRED IN OPEN OFFER (ASSUMING FULL ACCEPTANCES)		SHAREHOLDING/ VOTING RIGHTS AFTER THE ACQUISITION AND OFFER (excluding dilution effect from outstanding convertible instruments)	
	(A)		*(B)*		*(C)*		*(A)+(B)+(C) =(D)*	
	NO.	*%*	*NO*	*%*	*NO.*	*%*	*NO.*	*%*
(2) Acquirers								
a. Acquirer – IPSING			21,260,008	53.46	8,567,521	21.54	29,827,529	75.00
b. PAC - IPCO								
Total 2 (a+b)	**0**	**0.00**	**21,260,008**	**53.46**	**8,567,521**	**21.54**	**29,827,529**	**75.00**
(3) Parties to agreement other than (1)(a) & (2)								
(4) Public (other than parties to agreement, acquirers & PACs)								
a. FIs/MFs/ FIIs/Banks/SFIs								
Mutual Funds/UTI	200	0.00					107	0.00
FIs/Banks	4,805	0.01					2,581	0.01
FIIs	362,489	0.91					194,708	0.49
Insurance Companies	2,527,974	6.36					1,357,880	3.41
Foreign Financial Institutions	3,971,676	9.99					2,133,353	5.36
Foreign Banks	200	0.00					107	0.00
b. Others								
Bodies Corporate	5,846,790	14.70					3,140,555	7.90
Individuals	5,684,922	14.29					3,053,609	7.68
Trusts	7,519	0.02					4,039	0.01
Clearing Members	61,199	0.15					32,873	0.08
NRI/OCB's	27,149	0.07					14,583	0.04
Directors & their relatives & friends	15,108	0.04					8,115	0.02
Total (4)(a+b)	**18,510,031**	**46.54**					**9,942,510**	**25.00**
Grand Total (1+2+3+4)	**39,770,039**	**100.0**	**21,260,008**	**53.46**	**8,567,521**	**21.54**	**39,770,039**	**100.0**

Notes: 1. Assumed that the Acquirer will acquire 100% of the total shares tendered under the Offer. 2. It has been assumed that all categories of public Shareholders (Point no 4 in above table) would tender their Shares under the Offer and such Shares would be accepted on a pro rata basis. This assumption has been used to calculate indicative classification of public Shareholders after completion of the Offer, as shown in the table above. 3. Total Shares to be acquired under the offer is 21.54% of the Share capital of APPM on a non-dilutive basis, as shown in the above table. Total Shares to be acquired under the Offer constitute 21.54% of the Emerging Voting Capital of APPM.

7.20 Details of the change in shareholding of the promoter group are as under:

YEAR	SHARES ACQUIRED / (SOLD)	TOTAL HOLDING OF PROMOTERS	% HOLDING TO PAID UP CAPITAL	COMMENTS
31-03-1997		207385	36.87	Face value of share is ₹ 100/- each

YEAR	SHARES ACQUIRED / (SOLD)	TOTAL HOLDING OF PROMOTERS	% HOLDING TO PAID UP CAPITAL	COMMENTS
31-03-1998	6755	214140	38.07	Face value of share is ₹ 100/- each
31.03.1999	17567	231707	41.19	Face value of share is ₹ 100/- each
31-03-2000	281576	513283	45.63	Face value of share is ₹ 100/- each
31-03-2001	2136 shares of ₹.100/- each	5154190	45.82	Sub-division of equity shares having face value of ₹.100/- each into face value of ₹.10/- each was made on 16.01.2001
31-03-2002	(10319)	5143871	43.49	Face value of share is ₹ 10/- each
31-03-2003	334894	5478765	46.32	Face value of share is ₹ 10/- each
31-03-2004	2543196	8021961	67.82	Face value of share is ₹ 10/- each
31-03-2005	25470	8047431	68.03	Face value of share is ₹ 10/- each
31-03-2006	3077704	11125135	46.71	Face value of share is ₹ 10/- each
31-03-2007	(1000)	11124135	46.70	Face value of share is ₹ 10/- each
31-03-2008	1913875	13038010	50.67	Face value of share is ₹ 10/- each
31-03-2009	15953	13053963	50.73	Face value of share is ₹ 10/- each
31-03-2010	4010483	17064446	52.10	Face value of share is ₹ 10/- each
31-03-2011	4195562	21260008	53.46	Face value of share is ₹ 10/- each

Note: The above data is as per the disclosure made by the promoters under SEBI (SAST) Regulations, 1997 APPM has complied with the applicable provisions of the SEBI (SAST) Regulations/other applicable Regulations under the SEBI Act, 1992 and other statutory requirements, as applicable.

7.21 Contingent Liabilities (*Source*: Annual Report 2009-10)

RUPEES IN LACS	FY ended March 31, 2010 (₹ in lacs)	FY ended March 31, 2009 (₹ in lacs)
Unexpired Bank Guarantees and Letters of Credit	1007.70	791.03
Corporate guarantee given to Forest Department of State Government of Andhra Pradesh (against which ₹ 100 lacs deposited as per court orders)	1472.09	1472.09
Claims against the Company not acknowledged as debts	438.27	184.44
Demands raised by EPDC of AP Ltd. for surplus power supplied by APGPCL disputed by the Company. An amount of ₹ 76.98 lacs paid under protest, (Previous Year - ₹ 72.47 lacs) is grouped under Loans & Advances. The appeal filed by APTRANSCO is pending before Hon'ble High Court of Andhra Pradesh in which other companies similarly placed are made respondents.	87.66	81.27
Demands of statutory authorities disputed by the Company in appeals with higher authorities in respect of:		
i. Income Tax	107.07	239.43
ii. Central Excise & Service Tax	3435.82	1536.34
iii. Sales Tax	347.04	234.94
iv. Vacant Land Tax	228.31	210.88
As against above demands, an amount of ₹ 404.87 lacs (Previous Year - ₹ 706.10 lacs) paid under protest is included in Loans & Advances.		

7.22 As per APPM, as of March 31, 2011 the outstanding litigations involving APPM as per SEBI (ICDR) Regulations as follows :

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
1	The Andhra Pradesh Paper Mills Ltd vs. State of Andhra Pradesh (“**A.P.**”) & others W P NO. 3534/2005	High Court of Andhra Pradesh, Hyderabad	The company had entered into an agreement dated 20/7/1977 with the State of A.P. for extracting bamboo from the forests for a period of twenty years commencing from 1/10/1975. One of the clauses of the agreement related to levy of royalty for the quantity of bamboos extracted by mills. The agreement provided that the company shall pay royalty at the rate of ₹ 60/- per tonne of bamboos felled and collected from 1/10/1975, the rate being liable to be revised by the lessor from time to time at an interval not exceeding five years. The agreement also provides for the payment of annual minimum royalty equal to 85 % of royalty on 1 lacs tones of bamboo irrespective of whether the lessee felled and collected the said quantity. The Chief Conservator of Forest every year allots bamboo coupes to the company for extraction of bamboos. The Government revised the rate of royalty for bamboo from ₹ 60/- per tonne to ₹ 210/- per tonne with effect from 1/10/1980 with a graduated increase every year in the rate of royalty. For hard wood the rate was revised from ₹ 30/- tonne to ₹ 100 per tonne for the year 1980-81 to ₹ 152/- per tonne for the year 1984-85. The company challenged the revision of rate of royalty in the High Court. The High Court dismissed the writ petition filed by the company. Being aggrieved by the order the company preferred before the Supreme Court. The Supreme Court vide judgment dated 25/10/2002 dismissed the appeal preferred by the company. After disposal of the matter in the Supreme Court, the company differential royalty amounting to ₹ 53010329/-. The DFO Logging Division Rajahmundry raised demand on 1/10/2004 for payment of interest @ 15% on differential royalty for the period from	High Court has stayed the demand on condition that company deposits ₹ one (1) crore and furnish guarantee for the balance. The case is still pending	1,561.31

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
			1/10/1980 to 31/3/1986. The company has challenged the demand of the DFO in the High Court.		
2	Andhra Pradesh Transmission Corporation vs. The Andhra Pradesh Paper Mills Ltd. C A No 7043 – 7078 /2003	Supreme Court of India, New Delhi	Due to power shortage in the State the Andhra Pradesh Electricity Board ("APSEB") imposed powers cuts on industries and liberally permitted captive power generation in parallel with grid power. Further, to avoid hardship to the industries Transmission Corporation of Andhra Pradesh ("APTRANSCO") addressed letter to the Andhra Pradesh Electricity Regulatory Commission ("APERC") to permit the levy of grid support charges at ₹ 165/- per KVA on High Tension Industrial Consumers for captive generating units operating in parallel with APTRANSCO. The APTRANSCO filed an application before the APERC on 23/9/1999 for levy of grid support charges on High Tension Industrial Consumers for captive generating units operating in parallel with APTRANSCO's grid. The APERC after hearing all the parties concerned observed that the industries operating captive power plant ("CPP") in parallel with the grid derive the benefits of inter connection with the grid. the grid provides the required fault level in industrial plant for starting large motors in the industry and also provides the initial active and reactive components of starting current whenever there is a large load throw off or incidence in the industry, grid initially absorbs the shock and minimizes the chances of tripping the high fault level offered by the Grid acts as a supporting system for successful operation of CPPs in the industry in terms of electrical performance. The grid also helps in stabilizing the fluctuating loads like those in steel mills and arc furnaces. The APERC after examining	Supreme court directed that matter be tagged with civil appeal no. 4569/03 The case is still pending. Listed for hearing.	Amount not ascertainable

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
			the alternatives on the grid support charges, approved the proposal of the APTRANSCO to levy grid support charges where parallel operation of CPP is permitted, on the difference of the total capacity of the CPP in KVA and the contract maximum demand with the licensee at the rate equal to 50% of the prevailing demand charges. The company preferred appeal before the High Court of Andhra Pradesh. The High Court vide judgment dated 2/5/2003 held that the APTRANSCO has no power to levy grid support charges, that the order is vitiated by malice in law and that the levy of grid support charges are unreasonable and arbitrary and allowed the appeal of the company. The APTRANSCO has filed appeal before the Supreme Court challenging the judgment of the High Court.		
3	Andhra Pradesh Transmission Corporation vs. The Andhra Pradesh Paper Mills Ltd C A NO. 4569/03	Supreme Court of India	The Andhra Pradesh Gas Power Generation Corporation Ltd. ("APGPCL") was established for the purpose of generation of electricity for the use and/or consumption by the shareholders. The company is also a shareholder in APGPCL. Memorandum of understanding was entered into by the APSEB, the APGPCL and the shareholders for sharing of electricity generated by APGPCL and for wheeling of the electricity to the industrial units by APSEB at a specific charge. APTRANSCO filed an application before APERC for fixing wheeling charges @ ₹1/- per unit. The APERC vide order dated 24/3/2002 determined the wheeling charges for the year 2002-03@ ₹ 0.50 per unit in cash plus compensation for the system losses at 28.4% of energy input by the project developer into the license's grid. The company preferred appeal before the High Court of Andhra Pradesh challenging the order of APERC. The High Court vide	Supreme Court directed that the bank guarantee submitted be kept alive. The case is still pending	117.73

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
			judgment dated 18/4/2003 was pleased to set aside the order dated 24/3/02 of the APERC. APTRANSCO has filed appeal before the Supreme Court challenging the judgment of the High Court.		
4	The Andhra Pradesh Paper Mills Ltd. vs. Assistant Commissioner of Income Tax.	Income Tax Appellate Tribunal, Hyderabad	The company had claimed deduction in respect of pre-closure premium paid on account of repayment of loans borrowed from banks. The company had claimed deduction of ₹511.01 lacs for assessment year ("AY") 2001-02 and ₹121.00 lacs for the AY2003-04 and ₹ 401.98 lacs for AY2004-05. The assessing officer disallowed the claim of ₹ 511.01 lacs for AY 2001-02 and allowed ₹8.83 lacs out of ₹121 lacs for the AY 2003-04, however allowed a claim of ₹357.30 lacs out of ₹401.98 lacs for AY 2004-05. The company preferred an appeal for the AY 2001-02 and 2003-04 and 2004-05. The Commissioner of Income Tax (CIT) (Appeals) upheld the order of assessing officer for the AY 2001-2002 and 2003-04, but allowed Company's appeal for AY 2004-05. The company preferred an appeal before the ITAT for the AY 2001-02 and 2003-04. The income tax department went on appeal for the AY 2004-05.	ITAT in its order dated 04-11-2009 and 31-3-2010 has ruled in favor of the company involving an amount of ₹121 lacs for AY 2003-04 and ₹ 44.67 lacs for AY 2004-05. respectively. The appeal in respect of AY 2001-2002 involving an amount of ₹ 511.01 lacs is pending . The company is not aware whether income tax department has preferred an appeal against the orders of ITAT.	511.01
5	The Andhra Pradesh Paper Mills Ltd. Vs Assistant Commissioner of Income Tax	CIT (Appeals)	The company reserved the right to claim deduction under section 80IA of the Income Tax Act for the AY 2004-05, 2006-07, 2007-08 and 2008-09 amounting to ₹3096.1 lacs as the taxable income being under Minimum Alternative Tax. For the AY 2005-06 the company claimed deduction of ₹ 1099.33 lacs under section 80IA of the Income Tax Act. The assessing officer rejected the claim stating that boiler and power units are not separate undertakings. The company preferred an appeal before CIT (Appeals). The CIT (Appeals) for years 2004-05, 2005-06 and 2006-07 based on the decision rendered in Sirpur Paper Mills Ltd. West Coast Paper Mills Ltd. allowed the claim in company's favour.	ITAT in its order dated 31-3-2010 has ruled in favor of the company involving an amount of ₹1070.11. lacs , ₹1099.33 lacs and ₹569.78 lacs for the AYs 2004-05, 2005-06 and 2006-07 respectively. The claims before CIT (Appeals) for the AY 2007-08 & 2008-09 involving an amount of ₹1456.21 Lacs is pending. The company is not aware whether income tax department filed an appeal against ITAT	1456.21

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
			Aggrieved by the order, the income tax department preferred an appeal before ITAT which upheld the CIT (Appeals) order. The assessing officer disallowed the claim of ₹791.28 lacs for the AY 2007-08 and ₹ 664.93 lacs for AY 2008-09 aggregating to ₹1456.21 lacs. The company preferred an appeal before CIT(Appeals) and the matter is pending.	order.	
6	The Andhra Pradesh Paper Mills Ltd. Vs Assistant Commissioner of Income Tax	CIT (Appeals)	The company during the AY 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 2007-08 and 2008-09 claimed depreciation on the good will paid to CPL treating goodwill as an "intangible asset". The CIT passed an order u/s 263 of Income Tax Act on the ground that there is no provision in the Income Tax Act, which allows benefit of depreciation on goodwill and denied the same for AY 2002-03 which was allowed by the assessing officer. Aggrieved by the order, the company preferred an appeal before the ITAT. For the later years, the assessing officer disallowed the claim on the same ground as adopted by the CIT. The company filed appeals for AYs 2003-04, 2004-05, 2005-06 and 2006-07 before the CIT-(Appeals) who upheld the order of the assessing officer. Being aggrieved by the CIT-Appeals the company has preferred an appeal before ITAT which has allowed the claim in company's favour. For AY 2007-08 and 2008-09 the Assessing Officer has disallowed the company's claim for ₹ 114.73 lacs and ₹86.05 lacs aggregating to ₹ 200.78 lacs.	The ITAT has upheld the company's contention vide order dated 4-11-2009 and allowed deduction for AY 2002-03 2003-04 involving an amount of ₹483.49 and ₹362.62 lacs respectively and aggregating to ₹846.11 lacs. The ITAT had also upheld the company's contention vide order dated 31.3.2010 for the AY 2004-05, 2005-06 and 2006-07 involving an amount of ₹271.96 lacs, 203.97 lacs and ₹152.98 lacs respectively and aggregating to ₹628.91 lacs. For AYs 2007-08 and 2008-09 the company preferred an appeal before CIT (Appeals) involving of ₹114.73 lacs and ₹86.05 lacs respectively aggregating to ₹200.78 lacs and the matter is still pending. The company is not aware whether income tax department filed an appeal against ITAT order.	200.78

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
7	The Andhra Pradesh Paper Mills Ltd. Vs Assistant Commissioner of Income Tax	ITAT, Hyderabad	The Govt. of Andhra Pradesh enhanced the royalty payable by APPM on purchase of forest produce for the period 1980-81 to 1984-85. The company disputed the liability however, the Supreme Court vide its order dated 25.10.2002 confirmed the demand raised by the Government. During the pendency of litigation, the company provided interest on the arrears payable in the books of accounts. The company filed petition before Andhra Pradesh High Court to decide the date from which interest is payable as the matter is subjudice.	The ITAT has upheld the company's contention vide order dated 15-02-2008 for AY 2002-2003 and 4-11-2009 for AY 2003-2004 involving an amount of ₹173.34 lacs and ₹149.08 lacs respectively, aggregating to ₹322.42 lacs. The appeal in respect of the AY 2001-2002 is pending, involving an amount of ₹ 173.34 lacs. The company is not aware whether department preferred an appeal against ITAT orders	173.34
8	The Andhra Pradesh Paper Mills Ltd. Vs Assistant Commissioner of Income Tax	CIT (Appeals)	In pursuance to section 43A of the Income Tax Act, the company for the AY2007-08 reduced the foreign exchange fluctuation gains of ₹601.75 lacs from the cost of assets and the same was allowed by the assessing officer. Also, the company had claimed to reduce the notional gain on foreign exchange fluctuation in computing the book profits for the purpose of section 115 JB of the Income Tax Act and the claim was rejected by the assessing officer.	The case is pending at CIT(Appeals)	601.75
9	The Andhra Paper Mills Limited vs. Union of India and Institute of Chartered Accountants of India	High Court of Calcutta	The Institute of Chartered Accountants of India prescribed Accounting Standard 22 with effect from 01.04.2001. The same has been challenged before the High Court of Calcutta. The company has contended that the Accounting Standard from retrospective effect is bad and voilative of Articles, 14, (19) (g) and 265 of the Constitution of India.	The Case is still pending.	Amount not ascertainable.
10	The Andhra Pradesh Paper Mills Ltd. vs. Commissioner of Central Excise, Visakhapatnam.		APPM is an integrated plant meant for manufacture of paper and paperboards, during the course of which pulp emerges at an intermediate stage. Pulp attracts nil rate of duty in the tariff itself. As the pulp is consumed in the manufacture of		1948.85

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
			dutiable final product of paper and paperboard, APPM avails CENVAT credit on the quantity of inputs consumed in the manufacture of final goods without any restriction. The company is maintaining separate books of account for exempted goods as specified under CENVAT credit rules. If separate books are not maintained, 10%/ 8%/ 5% of the CENVAT credit has to be reversed. The department is insisting also to maintain separate inventory for all the exempted goods, failing which they are demanding 10% reversal of CENVAT credit. Hence the contention.		
		Commissioner of Central Excise, Visakhapatnam	1. The demand was raised for the period from August 2002 to March 2008, and was confirmed by the Commissioner for ₹1834.58 Lacs. The company exercised the option provided in the budget in the Finance Act, 2010 and paid a principal amount of ₹ 59.25 lacs and ₹ 41.34 lacs as interest on the specified 5 services as a final settlement for the above stated liability. However, the Department has levied a additional liability of We exercised the option provided in the budget in the Finance Act 2010 and paid a principal amount of ₹ 59.25 lacs and ₹ 41.34 lacs as interest on the specified 5 services as a final settlement for the above stated liability. However, the Department has levied a additional liability of ₹15.40 lacs (interest as applicable).	The Department has quantified the additional liability at ₹15.40 lacs (interest as applicable).	
		Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Bangalore	2. For the period April 2008 to September 2008 the Commissioner confirmed demand of ₹ 937.37 lacs, against which the company filed an appeal before CESTAT. As per the directions of the CESTAT we paid a pre-deposit of ₹ 34.20 lacs.	Appeal pending before Tribunal for final hearing.	
		Commissioner of Central Excise, Visakhapatnam	3. For the subsequent period October 2008 to September 2009, Commissioner confirmed	We preferred to file an appeal before the Tribunal for the balance amount of	

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
			the demand for ₹ 70.00 lacs. Against this the company paid ₹ 32.72 lacs as principal and interest ₹ 11.57 lacs. The company is contesting the balance amount.	₹ 37.28 lacs	
		Commissioner of Central Excise, Visakhapatnam	4. For the subsequent period October, 2009 to March, 2010 Commissioner issued the show cause notice for ₹ 457.46 lacs.	No personal hearing was conducted.	
		Commissioner of Central Excise, Visakhapatnam	5. For the subsequent period April 2010 to September 2010 Commissioner issued the show cause notice for ₹ 501.34 lacs.	No personal hearing was conducted.	
11	The Andhra Pradesh Paper Mills Ltd. vs. Commissioner of Central Excise, Visakhapatnam.	Commissioner Central Excise, Visakhapatnam	The issue relates to clearance of paper in reel form to paper cut to size unit at SN Palem for conversion into reams. The goods are cleared in reel form at the transaction value. The Department is insisting to pay duty as per CAS4 method (115% upto 04.08.2003 and 110% from 05.08.2003) of the cost of production and demanding duty on such value. The company has submitted related cost sheets for this purpose to the department. Afterwards, no action is being initiated by the department. The demand was raised for the period July 2000 to March 2009 and further show cause notice received for ₹ 54.74 lacs for the period April 2009 to September 2010.	No personal hearing has been fixed for the matter which is being contested the company.	1169.03
12	The Andhra Pradesh Paper Mills Ltd. vs. Commissioner of Central Excise, Visakhapatnam	Commissioner Central Excise, Visakhapatnam.	The Department had issued show cause notices dated 03.04.2006, 04.12.2006 & 02.07.2007 contending that the company had made irregular availment of CENVAT credit off duty paid on inputs used in the manufacture of the newsprint. The company was required to show cause as to why the liability of an amount equal to 10 % of the value of the exempted product amounting to ₹ 491.04 lacs, ₹ 277.56 lacs & ₹ 534.05 lacs aggregating to ₹ 1,302.65 lacs should not be levied. The demand was raised for the period from March 2005 to February 2007.	No personal hearing has been fixed for any of the matters covered under the show cause notices which are being contested the company.	1,302.65

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
13	The Andhra Pradesh Paper Mills Ltd. vs. Union of India	Supreme Court of India, New Delhi	The company is clearing newsprint in reel form under chapter 48010090 which attracts nil rate of duty. The Department's contention is that newsprint in rolls or sheets are only covered under 4801 and newsprint in reels are covered under 4823.90 The Department had contended that the company had removed quantity of newsprint in reel form from August 2003 to July 2004 valued at ₹ 4,278.19 lacs which has resulted in non-payment of duty of ₹ 684.51 lacs. Commissioner of Central Excise dropped proceedings in respect of interest and penalty. The company filed an appeal before CESTAT which upheld our appeal and determined the classification under 4801.00 vide order dated 18-05-2006. Aggrieved with such order of CESTAT, the Commissioner filed an appeal with the Supreme Court in November, 2006	Supreme Court admitted the appeal on 28-08-2009. The case is pending.	684.51
		CESTAT - Bangalore	The same Commissioner has also filed an appeal before the CESTAT for setting aside his order dated 26.09.2005 and uphold the allegation made in the show cause notice. Our Company has contested the appeal of the department before CESTAT. The demand was raised for the period August 2003 to July 2004.	The appeal for setting aside the order dated 26-09-2005 of the Commissioner is pending before CESTAT	
14	The Andhra Pradesh Paper Mills Ltd. vs. Commissioner of Central Excise, Visakhapatnam	Commissioner of Central Excise, Visakhapatnam	The Department had issued a show cause notice dated 03.04.2007 contending that the company had removed quantity of newsprint in reel form from 01.03.2006 to 20.06.2006 valued at ₹ 1,586.02 lacs which has resulted in nonpayment of duty of ₹ 258.84 lacs. The Department's contention is that newsprint in reels cleared by the company should be classified under tariff item 4823.90. The demand was raised for the period from March 2006 to June 2006.	No personal hearing has been fixed for the matter covered under the show cause notice which is being contested by the company.	258.84

Sl. No.	Parties	Adjudicating authority	Brief Particulars of Case	Status	Amount involved (₹ in lacs)
15	The Andhra Pradesh Paper Mills Ltd. vs. Commissioner of Central Excise, Visakhapatnam	Supreme Court of India, New Delhi/ High Court of Andhra Pradesh	The company had manufactured paper out of pulp made of gunny bags and claimed concessional rate of duty. The Department contended that old gunny bags were nothing but rags and the pulp made out of the same was rag-pulp and not eligible for concession. The Commissioner had dropped all the show cause notices issued based on subsequent clarifications given by CBEC Board and confirmed a demand of ₹ 0.49 lacs towards duty, against which, the Revenue preferred an Appeal to CESTAT. CESTAT had partially confirmed the order for which, the Company had paid under protest ₹ 90.89 lacs and preferred an Appeal before the Supreme Court. The Appeal was admitted in the Supreme Court. Against the CESTAT order, the Revenue preferred an Appeal before the High Court praying to modify CESTAT order and recover differential duty of ₹ 1,517.18 lacs. The demand was raised for the period from April 1994 to May 2001.	Matter pending before High Court and Supreme Court.	1,517.18

7.23 There have been no mergers / demergers / spin offs / acquisitions involving APPM during the last 3 years from the date of this Letter of Offer.

7.24 There has been no change in the name of the Target Company since listing.

7.25 As per APPM, status of corporate governance at Public Announcement date is as follows: APPM is fully compliant with all the provisions of Clause 49 of the Listing Agreement of the Stock Exchanges. A Certificate from the statutory auditors of APPM, confirming compliance with all the conditions of corporate governance, as stipulated in Clause 49 of the Listing Agreement of the stock exchanges is obtained and forms a part of APPM's annual report every year.

APPM is committed to the adoption of best governance practices and its adherence in the true spirit at all times. The governance practices are self-driven, reflecting the culture of the trusteeship that is deeply ingrained in Idea's value system and reflected in its strategic thought process. The principles of corporate governance in APPM are based on five basic tenets:

1) **Board accountability:** The Board consisted of 12 directors as on March 31, 2011, comprising of:

a) Promoter Executive Chairman	-	One
b) Promoter Executive Directors	-	Two
c) Promoter Non Executive Director	-	One
d) Non Promoter Executive Directors	-	Two
e) Independent Directors	-	Six

The Board is headed by an Executive Chairman and the number of independent directors is half of the total strength of the Board and therefore the composition of the Board is in conformity with Clause 49 of the Listing Agreement entered with the Stock Exchanges;

2) **Strategic guidance and effective monitoring by the Board:** The Board of APPM has constituted several Board Committees viz., (a) Audit Committee, (b) Remuneration Committee and (c) Investors' Grievance Committee;

3) **Protection of minority interests and rights:** APPM's management takes all necessary steps so as to ensure protection of interests and rights of minority shareholders under all circumstances:

4) **Equitable treatment of all shareholders:** All shareholders are considered equal by APPM and its management;

5) **Superior transparency and timely disclosure:** All material disclosures relating to related party transactions, accounting treatment, any non compliance with regard to capital markets, proceeds from the Rights Issue, remuneration to directors etc are duly made in time

The Compliance Officer of APPM is Mr. C. Prabhakar, Sr. Vice President (Corporate Affairs) & Company Secretary. The Compliance Officer can be contacted at 501-509, 5th Floor, Swapnalok Complex, 92/93, S.D. Road, Secunderabad - 500 003 Tel: 040 - 3048 2605; Fax: 040 - 2781 3717; e-mail: prabhakarc@andhrapaper.com

8. OFFER PRICE AND FINANCIAL ARRANGEMENTS

Justification of the Offer Price

8.1 The Shares are listed in India on the NSE and the BSE (the "**Stock Exchanges**") and are frequently traded on both Stock Exchanges.

8.2 The annualized trading turnover during the preceding six months prior to April 1, 2011 in each of the Stock Exchanges on which the Shares are listed is as below:

NAME OF STOCK EXCHANGE	TOTAL NUMBER OF SHARES TRADED DURING PRECEDING SIX CALENDAR MONTHS PRIOR TO THE MONTH IN WHICH PA WAS MADE	TOTAL NUMBER OF LISTED SHARES	ANNUALISED TRADING TURNOVER (IN TERMS OF % OF TOTAL LISTED SHARES)	TRADING STATUS IN TERMS OF THE SEBI TAKEOVER CODE
NSE	7,819,826	39,770,039	39.3%	Frequently Traded
BSE	4,150,369	39,770,039	22.9%	Frequently Traded

(*Source*: NSE, BSE websites)

8.3 Based on the information available, the Shares are frequently traded on the NSE and the BSE within the meaning of explanation (i) to Regulation 20 (5) of SEBI Takeover Code. The Shares are most frequently traded on NSE.

8.4 The Offer Price of ₹ 544.2 per Share (Rupees Five hundred and forty four and twenty paisa only) of APPM is justified in terms of Regulation 20(4) of the SEBI Takeover Code in view of the following:

(a)	The negotiated price under the SPA	₹ 523.0
(b)	The negotiated price + pro rata exclusivity fee (1)	₹ 544.2
(c)	The highest price paid by the Acquirer and the PAC for acquisition of Shares of the Target Company during the 26-week period prior to the date of the PA(2)	Not Applicable
(d)	The average of the weekly high and low of closing prices of the shares of the Target Company on the NSE for the 26 weeks preceding the date of the PA	₹ 160.71
(e)	The average of the daily high and low prices of the shares of the Target Company on the NSE for the two weeks preceding the date of the PA	₹ 189.41

(1)Note: The Promoter Group Sellers received an exclusivity fee of ₹ 450.7 Mn pursuant to an Exclusivity Agreement with the PAC (equivalent to ₹ 21.2 per Promoter Sale Share). As a matter of prudence, the Manager to the Offer believes that this pro rata exclusivity fee should also be paid to public shareholders and hence, the addition in (b) above.

(2)Neither the Acquirer nor the PAC have acquired any shares in APPM during the 26 week period prior to the date of the PA

8.5 The Offer Price is in compliance with Regulation 20(7) of the SEBI(SAST) Regulations as the Acquire / PAC have not acquired any Shares in the Target Company from the open market or through negotiations or otherwise after the date of the Public Announcement.

8.6 The Offer price is at a premium to the trading prices as shown in the table below:

Time Period/Date	Closing Price/Average Price per share (₹)	Offer Price Premium
3 (three) month average price on the NSE (till the day prior to the day of PA)	157.36	245.8%
Closing Price on BSE as on March 31, 2011 (i.e. the day prior to the day of PA)	283.35	92.1%
Closing Price on NSE as on March 31, 2011 (i.e. the day prior to the day of PA)	284.35	91.4%

8.7 The average of the weekly high and low of the closing prices of the equity shares of APPM during the 26 weeks preceding the date of the PA for the Target Company, on NSE is ₹ 160.71 per share. Please see the following table for detailed computation: (*Source*: www.nseindia.com)

WEEK #	WEEK ENDED	HIGH (₹)	LOW (₹)	AVG (₹)	VOLUME (SHARES)
1	7-Oct-10	189.55	181.25	185.40	280,507
2	14-Oct-10	182.65	178.25	180.45	123,895
3	21-Oct-10	183.45	172.90	178.18	189,487
4	28-Oct-10	179.25	172.35	175.80	184,999
5	4-Nov-10	172.55	169.85	171.20	77,901
6	11-Nov-10	187.35	171.80	179.58	489,387
7	18-Nov-10	175.10	161.60	168.35	69,745
8	25-Nov-10	160.10	152.10	156.10	65,704
9	2-Dec-10	156.05	142.70	149.38	66,772
10	9-Dec-10	153.60	142.25	147.93	77,083
11	16-Dec-10	136.75	134.20	135.48	67,205
12	23-Dec-10	145.05	136.00	140.53	33,531
13	30-Dec-10	161.85	136.30	149.08	530,877
14	6-Jan-11	163.25	149.90	156.58	154,028
15	13-Jan-11	168.25	152.80	160.53	396,311
16	20-Jan-11	160.20	145.45	152.83	65,833
17	27-Jan-11	144.55	135.50	140.03	30,946
18	3-Feb-11	144.75	138.40	141.58	100,755
19	10-Feb-11	147.10	129.35	138.23	133,306
20	17-Feb-11	153.70	139.15	146.43	73,213
21	24-Feb-11	163.60	151.55	157.58	126,965
22	3-Mar-11	156.85	150.10	153.48	123,588
23	10-Mar-11	159.95	155.25	157.60	274,771
24	17-Mar-11	159.90	158.40	159.15	166,886
25	24-Mar-11	180.75	154.20	167.48	1,683,445
26	31-Mar-11	284.35	174.70	229.53	2,232,586
26 Week Average				160.71	300,759

8.8 The average of the daily high and low prices of the equity shares of APPM during the 2 weeks preceding the date of the PA of the Target Company on the NSE is ₹ 189.41 per share. Please see the following table for detailed computation: (*Source*: www.nseindia.com)

DAY #	DATES	HIGH (₹)	LOW (₹)	AVG (₹)	VOLUME (SHARES)
1	18-Mar-11	159	150.25	154.63	89,664
2	21-Mar-11	160	152.25	156.13	41,961
3	22-Mar-11	160	157	158.50	38,044
4	23-Mar-11	184.4	159.8	172.10	1,057,141
5	24-Mar-11	187.8	175.5	181.65	456,635
6	25-Mar-11	180.4	172.15	176.28	143,152
7	28-Mar-11	190.0	170.5	180.25	479,981
8	29-Mar-11	200.5	186.0	193.75	1,570,587
9	30-Mar-11	236.95	236.95	236.95	33,072
10	31-Mar-11	284.35	284.35	284.35	5,794
2 Week Average				189.41	391,603

8.9 As mentioned in section 3.1.8, a Non Compete Agreement has been entered into by the Sellers, the Acquirer and the PAC. Pursuant to the Non Compete Agreement, a Non-Compete Consideration/fee of ₹ 27,795.3 lacs (payable in cash) has been paid to the Promoter Group Sellers. The Non Compete Consideration is in compliance with the SEBI (SAST) Regulations and does not exceed 25% of the Offer Price arrived at as per section 8.4 above

8.10 Appeal before the Honourable Securities Appellate Tribunal:

- SEBI vide its observation letter dated August 3, 2011, has, inter-alia observed that certain Promoter Group Sellers are ineligible to receive the Non-Compete fee and has therefore directed that the Offer Price be revised to include an amount equal to the Non-Compete fee per Share proposed to be paid to the Promoter Group Sellers. SEBI has observed that of the twenty (20) Promoter Group Sellers only five (5) entities are eligible to receive Non-Compete fee. The fifteen (15) entities deemed ineligible by the SEBI to receive Non-Compete fee include thirteen (13) companies and two (2) individuals.
- This direction from SEBI would result in the Offer Price increasing by ₹ 130.73 per Share (total Non Compete Consideration paid to the Promoter Group Sellers divided by the number of Shares proposed to be sold by the Promoter Group Sellers) i.e. an increase from ₹ 544.20 per Share to ₹ 674.93 per Share. The Acquirer, not being in agreement with SEBI's view, and being aggrieved by this direction, has preferred an appeal before the Honourable Securities Appellate Tribunal ("SAT").
- Vide its interim order dated August 11, 2011, SAT has permitted the Acquirer to proceed with the Offer at the Offer Price of ₹ 544.20 per Share provided that the Acquirer deposits an amount, equivalent to the differential amount arising out of the Non-Compete fees of ₹ 130.73 per Share payable to the Shareholders, in an escrow amount as security for its obligation to pay the Shareholders in the event the Acquirer's appeal were to be unsuccessful.
- Accordingly on August 16, 2011, the Acquirer has deposited an amount of ₹11,200.3 lacs in an escrow bank account in the name of "Citibank Escrow Account – APPM Open Offer" with Citibank N.A., a scheduled commercial bank having its bank branch office at Dr D.N. Road, Fort, Mumbai 400001 for an amount equal to the aggregate differential price for the entire size of the Offer (assuming full acceptances).

8.11 In the opinion of the Manager to the Offer, the Acquirer and the PAC, the Offer Price of ₹ 544.20 per Share (Rupees five hundred and forty four and twenty paisa only) is justified and is in compliance with the SEBI (SAST) Regulations (Please refer to paragraph 8.10).

8.12 If the Acquirer and the PAC acquire Shares after the date of the Public Announcement up to seven (7) working days prior to the closure of the Offer at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all the valid acceptances received under the Offer.

Financial Arrangement

8.13 The total fund requirement for implementation of the Offer at ₹ 544.2 per fully paid up share is ₹ 46,624.5 lacs assuming that full acceptance for the Offer is received ("**Offer Consideration**").

8.14 IPSING has made a cash deposit of ₹ 46,857.6 lacs in an escrow bank account in the name of "Citibank Escrow Account – APPM Open Offer" with Citibank N.A., a scheduled commercial bank having its bank branch office at Dr D.N. Road, Fort, Mumbai 400001 ("**Cash Deposit**") in accordance with Regulation 28(10) of the SEBI (SAST) Regulations. The said Cash Deposit is in excess of 100% of the Offer Consideration and in compliance with Regulation 28(2) of the SEBI (SAST) Regulations. LIPL has been duly authorized to realize the value of the aforesaid escrow account in terms of the SEBI (SAST) Regulations. Acquirer intends to appoint Mr. Paul Brown as a nominee director on the Board of Directors of the Target Company in accordance with Regulation 22(7) of the SEBI (SAST) Regulations and the Promoter Group Sellers have agreed to use reasonable efforts to facilitate the above appointment.IPCO has a sum of USD 2.1 Bn (approximately ₹ 940,170 lacs) in form of bank balance as of March 29, 2011 in deposit with multiple banks in the United States and abroad. IPCO also has USD 2.5 Bn (approximately ₹ 1,119,250 lacs) of backup credit available in the following two committed and undrawn credit facilities: (i) a USD 1.5 Bn (approximately ₹ 671,550 lacs) revolving credit facility, and (ii) a USD 1.0 Billion (approximately ₹ 447,700 lacs) accounts receivable securitization program. Further, SunGard Institutional Brokerage Inc., 377 East Butterfield Road, Suite 800, Lombard, Illinois, 60148 has issued a letter dated March 29, 2011 confirming that IPCO has USD 270.2 Million (approximately ₹ 120,971 lacs) invested in money market funds with UBS Financial Services that is available to the company to meet any payment obligations. The above amount is more than Offer size of ₹ 46,624.5 lacs and is sufficient to fulfill the financial obligations under the Offer.

8.15 Deloitte & Touche LLP, Chartered Accountants, Membership No. 01194, located at 6 Shenton Way, #32-00, DBS Building Tower Two, Singapore 068809, who are the statutory auditors for IPSING, have vide their letter dated March 30, 2011 certified that the Acquirer has sufficient funds to fulfill its obligations under the Offer. This is based on the issue of a Promissory Note dated March 10, 2011 from IPCO for USD 500 Million (approximately ₹ 223,850 lacs). The contact details of Deloitte & Touche LLP are: 6 Shenton Way #32-00, DBS Building Tower Two, Singapore – 068809. Tel: +65-6224 8288 , Fax No +65-6538 6166

8.16 The Acquirer and the PAC have vide certifications dated March 29, 2011 respectively have also given an undertaking to the Manager to the Offer to meet their financial obligations under the offer.

8.17 Please refer to paragraph 8.10 for details regarding SEBI's direction for increase in the Offer Price, the appeal to Honourable Securities Appellate Tribunal and the direction to proceed with the Offer and funding of escrow with an additional amount.

8.18 Based on the above, the Manager to the Offer is satisfied about the ability of the Acquirer and PAC to implement the Offer in accordance with the SEBI (SAST) Regulations as firm financial arrangements are in place to fulfill the obligations under the SEBI (SAST) Regulations.

9. TERMS AND CONDITIONS OF THE OFFER

Statutory Approvals required for the Offer

9.1 Approval from the Reserve Bank of India ("RBI"), under the Foreign Exchange Management Act, 1999: The RBI has vide dated July 12, 2011 advised that it has no objection in relation to the proposed acquisition of up to 8,567,521 equity shares of APPM by the Acquirer and the PAC, from the public via the Open Offer including from non resident Indians and overseas corporate bodies.

9.2 It has been stated in paragraph 25 of the Public Announcement that, if required pursuant to section 6 of the Competition Act, 2002 (the "Competition Act") and the related regulations coming into force on June 1, 2011, notification to the Competition Commission of India (the "CCI") for its approval of the Transaction would be made and in this case the Open Offer would become subject to such approval.

In this regard, on May 11, 2011 the CCI has notified the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (the "Combination Regulations"). The Combination Regulations came into effect from June 1, 2011.

The Combination Regulations, among other things, provide that for any acquisition of shares or control resulting in a combination, the CCI is required to be notified only if the 'binding document' (i.e. a document conveying a decision to acquire control, shares or voting rights) in relation to such acquisition is executed on or after June 1, 2011. In the case of the Transaction, the SPA (entered between the Acquirer, the PAC and the Promoter Group Sellers) would be seen as the relevant 'binding document'. Therefore, in light of the fact that the SPA was executed prior to June 1, 2011 (on March 29, 2011), there is no requirement to notify and seek approval of the CCI in relation to the Transaction (including the Open Offer) and, accordingly, the requirement for CCI approval would not be a pre-condition for completion of the Open Offer formalities.

9.3 To the best of the knowledge of the Acquirer and PAC, as on the date of this Public Announcement, there are no other statutory approvals required to implement the Offer, other than those indicated above. If any other statutory approvals become applicable, the Offer would be subject to such statutory approvals.

9.4 The Acquirer and PAC, in terms of Regulation 27 of SEBI (SAST) Regulations, will have a right not to proceed with the Offer in the event the statutory approvals indicated above are refused.

9.5 In case of delay in receipt of the above statutory approvals, SEBI has the power to grant extension of time to the Acquirer and PAC for payment of consideration to the shareholders of the Target Company, subject to the Acquirer and PAC agreeing to pay interest for the delayed period as directed by SEBI in terms of Regulation 22(12) of the SEBI (SAST) Regulations. Further, if the delay occurs on account of willful default by the Acquirer and PAC in obtaining the requisite approvals, Regulation 22(13) of the SEBI (SAST) Regulations will also become applicable.

9.6 The Acquirer and PAC do not require any approvals from financial institutions or banks for the Offer.

Other Terms

9.7 This Offer is not conditional upon any minimum level of acceptance

9.8 If the aggregate of the valid responses to the Offer exceeds the Offer size of 8,567,521 Shares, then the Acquirer and PAC shall accept the valid applications received on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations. As the equity Shares of the Target Company are compulsorily traded in demat form, the minimum marketable lot being one (1) Share, minimum acceptance will be one Share.

9.9 The Offer is being made to the shareholders of APPM and this Letter of Offer specifying the detailed terms and conditions of the Offer, together with a Form of Acceptance-cum-Acknowledgement will be mailed on or before August 30, 2011 to the shareholders of the Target Company (other than the parties to the SPA), whose names appear on the Register of Members of the Target Company and to the owner of the shares whose names appear as beneficiaries on the records of the respective Depositories at the close of business hours on April 8, 2011 (the "**Specified Date**").

9.10 All eligible owners of Shares, registered or unregistered including beneficial owners (other than the Acquirer, and the PAC), can participate in the Offer, at any time before the Offer Closing Date, as per the procedure in the section below. Eligible persons for the Offer can participate in the Offer by offering their shareholding in whole or in part. The acceptance must be unconditional and should be absolute and unqualified.

9.11 Accidental omission to dispatch this Letter of Offer or further communication to any person to whom this Offer is made or the non-receipt or delayed receipt of this Letter of Offer will not invalidate the Offer in any way.

9.12 Shares which are locked-in as per the provisions of SEBI (ICDR) Regulations can be tendered in the Offer. In such an event, the residual lock-in period shall continue in the hands of the Acquirer and/or the PAC.

9.13 Any Shares that are the subject matter of litigation or are held in abeyance due to pending court cases, attachment / restriction from Court/ Forum/ ITO / relevant statutory authorities, etc., wherein the shareholder(s) may be precluded from transferring the Shares during the pendency of the said litigation are liable to be rejected in case directions/orders of the Court / forum / ITO / relevant statutory authorities etc permitting transfer of these Shares are not received together with the Shares tendered under the Offer. The Letter of Offer in some of these cases, wherever possible, would be forwarded to the relevant statutory authorities for further action at their end.

9.14 The acceptance of the Offer made by the Acquirer and the PAC is entirely at the discretion of the shareholders of the Target Company. The Acquirer and the PACs will not be responsible in any manner for any loss of Share certificate(s) and Offer acceptance documents during transit and the shareholders of the Target Company are advised to adequately safeguard their interest in this regard.

9.15 Applications for the Offer will be accepted as per the term of the Offer mentioned in this Letter of Offer. Incomplete applications, received are liable to be rejected.

9.16 Acquirer and PAC will acquire the Shares, free from all liens, charges and encumbrances and together with all rights attached thereto, including the right to all dividends, bonus and rights declared hereafter. Shares that are subject to any charge, lien or encumbrance are liable to be rejected.

9.17 The instructions and provisions contained in the Form of Acceptance and Form of Withdrawal constitute an integral part of the terms of this Offer.

10. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

10.1 Procedure for accepting the Offer by Eligible Persons, unregistered shareholders, owners of Shares who have sent them for transfer or those who did not receive the Letter of Offer is as below.

10.2 Shareholders of the Target Company, who wish to accept this Offer are free to offer their shareholding, in whole or in part, and should forward the under-mentioned documents to the Registrar to the Offer at their office at Karvy Computershare Private Limited, Unit: APPM Ltd - Open Offer, (Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, Tel: +91 40 4465 5000 / 2342 0815-23, Fax: +91 40 2343 1551, E-mail: murali@karvy.com, Contact Person: Mr. M. Murali Krishna/ Mr. Williams) ("**Registrar**") either by hand delivery on weekdays or by registered post, on or before the Offer Closing Date, i.e., no later than September 24, 2011 They can also tender their Equity Shares by hand delivery at any of the collection centers mentioned in paragraph no. 10.20, so as to reach the Registrar to the Offer / collection centers on or before the close of business hours, i.e., not later than 1:00 pm on September 24, 2011 in accordance with the instructions specified in this Letter of Offer and in the Form of Acceptance-cum-Acknowledgement. Shareholders are advised to ensure that the Form of Acceptance-cum-Acknowledgement and other documents are complete in all respect; otherwise, the same is liable to be rejected. In the case of dematerialized Shares, the shareholders are advised to ensure that their Shares are credited in favour of the special depository account before the Offer Closing Date. The Form of Acceptance-cum-Acknowledgement of such dematerialized Shares, not credited in favour of the special depository account before the Offer Closing Date, will be rejected.

10.3 For Shares held in physical form:

a) Shareholders of the Target Company who are holding Equity Shares in physical form and who wish to tender their Shares will be required to send the Form of Acceptance-cum-Acknowledgement, original share certificate(s) and transfer deed(s) duly signed to the Registrar to the Offer, Karvy Computershare Private Limited, Unit: APPM Limited - Open Offer, (Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, Tel: +91 40 4465 5000 / 2342 0815-23, Fax : +91 40 2343 1551, E-mail: murali@karvy.com, Contact Person: Mr. M. Murali Krishna/ Mr. Williams), either by hand delivery on weekdays or by registered post, so as to reach the Registrar on or before the Offer Closing Date, i.e., no later than 1:00 pm on September 24, 2011 in accordance with the instructions specified in this Letter of Offer and in the Form of Acceptance-cum-Acknowledgement. They can also tender their Shares by hand delivery at any of the collection centers mentioned in paragraph no. 10.20 below.

b) Unregistered shareholders of the Target Company can send their application in writing to the Registrar to the Offer, on plain paper stating the name, address, number of Shares held, number of Shares tendered, distinctive numbers, folio number, together with the original share certificate(s), valid transfer deeds and the original contract notes issued by the broker through whom they acquired their Shares and valid share transfer forms as received from the market. No indemnity is required from the unregistered owners. The unregistered shareholders should not sign the transfer deed and the transfer deed should be valid for transfer.

10.4 For Shares held in dematerialized form:

Beneficial owners (holders of Shares in dematerialized form) who wish to tender their Shares will be required to send their Form of Acceptance-cum-Acknowledgement, along with the photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instructions in "Off-market" mode, duly acknowledged by the Depository Participant ("**DP**"), in favour of the special depository account **"KCPL Escrow A/c - APPM Ltd Open Offer".** For each delivery instruction, the beneficial owner should submit a separate Form of Acceptance-cum-Acknowledgement. The credit for the delivered Shares should be received in the special depository account on or before the Offer Closing Date, i.e., no later than 1:00 pm on September 24, 2011 . The above-mentioned documents needs to be sent to the Registrar to the offer, Karvy Computershare Private Limited, Unit: APPM Limited - open offer, (Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, Tel: +91 40 4465 5000 / 2342 0815-23, Fax: +91 40 2343 1551, E-mail: murali@karvy.com, Contact Person: Mr. M. Murali Krishna/ Mr. Williams), either by hand delivery on weekdays or by registered post acknowledgement due, so as to reach the Registrar on or before the Offer Closing Date, i.e., no later than September 24, 2011 (by 1:00 pm) in accordance with the instructions specified in this Letter of Offer and in the Form of Acceptance-cum-Acknowledgement. They can also tender their Shares by hand delivery at any of the collection centers mentioned in paragraph no 10.20 below.

10.5 The Registrar to the Offer has opened a special depository account called “KCPL Escrow A/c - APPM Ltd Open Offer" with Karvy Stock Broking Ltd at NSDL. The DP ID is IN300394 and the Client ID is 18133243. Shareholders of the Target Company having their beneficiary account in CDSL shall use the inter-depository delivery instruction slip for the purpose of crediting their Shares in favor of the special depository account with NSDL.

10.6 Shareholders who have sent their Shares for dematerialization need to ensure that the process of getting their Shares dematerialized is completed in time for the credit in the special depository account on or before the Offer Closing Date, i.e., no later than September 24, 2011 (by 1:00 p.m.), or else their application will be rejected.

10.7 The shareholders should also provide all relevant documents which are necessary to ensure transferability of the Shares in respect of which the application is being sent. Such documents may include, but are not limited to:

a) duly attested death certificate and succession certificate / probate / letter of administration (in case of single shareholder) if the original shareholder is no more;
b) duly attested power of attorney if any person apart from the shareholder has signed the application form and / or transfer deeds;
c) in case of companies, the necessary corporate authorization (including certified copy of board resolutions); and
d) any other relevant documents.

10.8 Shares and other relevant documents should not be sent to the Acquirer / Target Company / Manager to the Offer.

10.9 In case of non-receipt of the Letter of Offer, the Eligible Persons may (i) download the Letter of Offer and Form of Acceptance-cum-Acknowledgement from the SEBI website, (http://www.sebi.gov.in) (ii) obtain a copy of the same by writing to the Registrar to the Offer, or (iii) send their consent to the Registrar to the Offer, on plain paper stating the name, address, number of Shares held, distinctive numbers, folio number, number of Shares offered, along with documents as mentioned above, so as to reach the Registrar to the Offer on or before the Offer Closing Date, i.e., no later than 1:00 pm on September 24, 2011 or in

case of beneficial owners, they may send the application in writing to the Registrar, on plain paper stating the name, address, number of Shares held, number of Shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP, in favour of the special depository account, “KCPL Escrow Account - APPM Ltd Open Offer", so as to reach the Registrar, on or before the Offer Closing Date, i.e., no later than September 24, 2011 (by 1:00 p.m.). Unregistered shareholders should not sign the transfer deed and the transfer deed should be valid for transfer.

10.10 All shares tendered and accepted under the Offer will be acquired by the Acquirer subject to the terms and conditions set out in this Letter of Offer. If the aggregate of the valid responses to the Offer exceeds the Offer size of 8,567,521 Shares (representing 21.54% of the Emerging Voting Capital), then the Acquirer shall accept the valid applications received on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations. The Shares are compulsorily traded in dematerialized form, hence the minimum acceptance will be one (1) Share.

10.11 While tendering the Shares under the Offer, NRIs / OCBs / foreign shareholders will be required to submit, along with the Form of Acceptance-cum-Acknowledgement, the previous RBI approvals (specific or general) that they may have been required to obtain prior to acquiring the Shares. In case the previous RBI approvals are not submitted, the Acquirer reserves the right to reject such Shares tendered.

10.12 Tax to be deducted at source - General

a) As per the provisions of section 195(1) of the Income Tax Act, 1961 ("Income Tax Act") any person responsible for paying to a non-resident any sum chargeable to tax is required to deduct tax at source (including surcharge and education cess as applicable). Since the consideration payable under the Offer would be chargeable to tax in India either as capital gains under section 45 of the Income Tax Act, or as business profits or interest income (if any), as the case may be, the Acquirer is required to deduct tax at source (including surcharge and education cess).

b) Resident and non-resident Shareholders (including FII) are required to submit their Permanent Account Number ("PAN") for income-tax purposes. In case PAN is not submitted or is invalid or does not belong to the Shareholder, Acquirer will arrange to deduct tax at the rate of 20% (twenty percent) or at the rates in force or at the rate specified in the relevant provisions of the Income Tax Act, or the maximum rate as discussed in paragraphs 10.13 to 10.15, whichever is higher.

c) In case of ambiguity, incomplete or conflicting information or the information not being provided to the Acquirer, it would be assumed that the Shareholder is a non-resident Shareholder and taxes shall be deducted at the maximum rate as may be applicable to the relevant category to which the Shareholder belongs under the Income Tax Act, on the entire consideration and interest if any, payable to such Shareholder.

d) Securities Transaction Tax will not be applicable to the Shares accepted in this Offer.

e) The provisions contained under clause b) and c) above shall apply notwithstanding anything contrary contained in paragraphs 10.13 to 10.15 below.

10.13 Tax to be deducted in Case of Non- Resident Shareholders

a) While tendering Shares under the Offer, NRIs / OCBs / other non-resident Shareholders will be required to submit a valid Certificate for Non-deduction/ Deduction of Tax at Lower Rate ("Withholding Certificate") issued by the Income Tax authorities under Section 195(3) or 197 of the Income Tax Act, along with the Form of Acceptance-cum-Acknowledgement, indicating the amount of tax to be deducted by the Acquirer before remitting the consideration. The Acquirer will arrange to deduct taxes at source in accordance with such Withholding Certificate.

b) In case the aforementioned Withholding Certificate is not submitted, the Acquirer will arrange to deduct tax at the maximum rate as may be applicable to the relevant category to which the Shareholder belongs under the Income Tax Act, on the entire consideration and interest, if any, payable to such Shareholder.

10.14 Withholding tax implications for FII

a) As per the provisions of Section 196D(2) of the Income Tax Act, no deduction of tax at source will be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Income Tax Act to a FII as defined in Section 115AD of the Income Tax Act.

b) A FII should certify ("FII Certificate") the nature of its income arising from the sale of shares in the Target Company as per the Income Tax Act (whether capital gain or otherwise). In the absence of FII Certificate to the effect that their income from sale of shares is in the nature of capital gains, the Acquirer will deduct tax at the maximum rate applicable to the category to which such FII belongs on the entire consideration payable to such FII. Should FII submit a Withholding Certificate from the Income Tax authorities while tendering the Shares, indicating the amount of tax to be deducted by the Acquirer under the Income Tax Act, the Acquirer will deduct tax in accordance with the same.

c) In respect of interest income, should FII submit a Withholding Certificate from the Income Tax authorities indicating the amount of tax to be deducted by the Acquirer under the Income Tax Act, the Acquirer will deduct tax in accordance with the Withholding Certificate so submitted. In absence of such Withholding Certificate, the Acquirer will arrange to deduct tax at the maximum rate applicable to the category to which such FII belongs.

10.15 Tax to be deducted in case of resident Shareholders

a) In the absence of any specific provision under the Income Tax Act, Acquirer will not deduct tax on the consideration payable to resident Shareholders for acquisition of Shares.

b) Acquirer will deduct tax at the stipulated rates (including applicable surcharge and education cess) on interest, if any, payable to resident Shareholders, if amount of interest payable is in excess of ₹ 5,000 (Rupees Five Thousand Only).

c) The resident Shareholders claiming no tax is to be deducted or tax is to be deducted at lower rate on interest amount, should submit along with the Form of Acceptance-cum-Acknowledgement a Withholding Certificate from the Income Tax authorities indicating the amount of tax to be deducted by the Acquirer, or in case resident Shareholders not being a company or firm, a self declaration in Form

15G or Form 15H as may be applicable. The self declaration in Form 15G or Form 15H would not be valid unless the Shareholder furnishes PAN in such declaration. In case the aforementioned Withholding Certificate or Form 15G or Form 15H, if applicable, is not submitted, the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the category of the Shareholder under the Income Tax Act. Also, no tax is to be deducted on interest amount in the case of resident Shareholder being a Mutual Fund as per Section 10(23D) of the Income Tax Act or a Bank or an entity specified under Section 194A(3)(iii) of the Income Tax Act if it submits a copy of the relevant registration or notification along with the Form of Acceptance-cum-Acknowledgement.

10.16 Issue of withholding tax certificate - The Acquirer will issue a certificate in the prescribed form to the Shareholders (resident and non-resident) who have been paid the consideration and interest, if any, after deduction of tax on the same certifying the amount of tax deducted and other prescribed particulars.

10.17 Withholding tax in respect of overseas jurisdiction

a) Apart from the above, the Acquirer will be entitled to withhold tax in accordance with the tax laws applicable in the overseas jurisdiction where the non-resident Shareholder is a resident for tax purposes ("Overseas tax").

b) For this purpose, the non-resident Shareholder shall duly represent in the Form of Acceptance-cum-Acknowledgement the quantum of the overseas tax to be withheld as per the relevant tax laws of the country in which the non-resident Shareholder is a tax resident, and the Acquirer will be entitled to rely on this representation at its sole discretion.

c) Shareholders who wish to tender their shares must submit the following information along with the Form of Acceptance-cum-Acknowledgement.

10.18 Information requirement from non-resident Shareholders

1. Self attested copy of PAN card

2. Self attested declaration in respect of residential status, status of Shareholder (e.g. Individual, Firm, Company, FII, Trust, or any other – to be specified)

3. In case of FII, FII Certificate (i.e. self attested declaration certifying the nature of income arising from sale of Shares, whether capital gains or otherwise)

4. SEBI registration certificate for FII

5. Withholding Certificate from the Income Tax authorities (where applicable)

6. RBI approvals for acquiring Shares of The Andhra Pradesh Paper Mills Limited (where applicable)

10.19 Information requirement from resident Shareholders

1. Self attested copy of PAN card

2. Self attested declaration in respect of residential status, status of Shareholder (e.g. Individual, Firm, Company, Trust, or any other – to be specified)

3. If applicable, self declaration form in Form 15G or Form 15H (in duplicate), as applicable

4. Withholding Certificate from the Income Tax authorities (applicable only for interest payment, if any)

5. For Mutual Funds/ Banks/ other specified entities under Section 194A(3)(iii) of the Income Tax Act – Copy of the relevant registration or notification (applicable only for interest payment, if any)

The tax deducted under this Offer is not the final liability of the Shareholders or in no way discharges the obligation of the Shareholders to disclose the amount received pursuant to this Offer. The tax rates and other provisions may undergo changes. Shareholders are advised to consult their tax advisors with regard to the tax consequences of tendering their Equity Shares in the Offer and the appropriate course of action that they should take. The Acquirer, the Manager to the Offer and the Registrar to the Offer do not accept any responsibility for the accuracy or otherwise of such advice.

10.20 In addition to the above-mentioned address of the Registrar to the Offer, the shareholders of the Target Company who wish to accept the Offer can also deliver the Form of Acceptance-cum-Acknowledgement, along with all of the relevant documents, to any of the collection centers specified below in accordance with the procedure as set out in this Letter of Offer on or before the Offer Closing Date, i.e., not later than 1:00 pm on September 24, 2011 . All of the centers of the Registrar mentioned herein below will be open as follows: (Monday to Friday - 10:00 am to 4:00 pm and Saturday - 10:00 am to 1:00 pm). The centers will be closed on Sundays and public holidays.

	Collection	Address of Collection Centers	Contact person	Phone no	Fax no.	Mode of Delivery
1.	Mumbai (Fort)	Karvy Computershare. Pvt Ltd. 24, Maharashtra Chamber. of Commerce. Lane, Opp. MSC Bank, Nr Kalaghoda, Behind Rhythm House Fort Mumbai - 400 023	Ms.Nutan Shirke	022-66381747 & 66382666	022-66331135	Hand Delivery
2.	New Delhi	Karvy Computershare. Pvt Ltd. 305, New Delhi House, 27, Barakhamba Road, Connaught Place, New Delhi -110 001	Mr. Rakesh Kr Jamwal / Vinod Singh Negi / John Mathew	011-43681700 / 1798	011-41036370	Hand Delivery
3.	Ahmedabad	Karvy Computershare. Pvt Ltd. 201-203,Shail,Opp: Madhusudhan House Behind Girish Cold Drinks Off C G Road Ahmedabad 380 006	Mr.Aditya Gupta/ Robert Joeboy	079- 66614772/ 26407541/ 26565551		Hand Delivery
4.	Chennai	Karvy Computershare. Pvt Ltd. No. 33/1, Venkatraman Street, T.Nagar, Chennai - 600017	Ms. Janaki	044 - 45900900/902	044-28153181	Hand Delivery
5.	Hyderabad	Karvy Computershare. Pvt Ltd. Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081	Ms. Rinki Sareen	040-/ 44655000 / 23420815-23	040-23431551	Hand Delivery/ Regd Post
6.	Kolkata	Karvy Computershare. Pvt Ltd. 49, Jatin Das Road, Nr.Deshpriya Park, Kolkatta 700 029	Mr. Sujit Kundu/ Mr. Debnath	033-24644891	033-24644866	Hand Delivery
7.	Bengaluru	Karvy Computershare. Pvt Ltd. No.59, Skanda, Putana Road, Basavanagudi Bengaluru 560 004	Mr. Kumaraswamy/ Ms.V Sudha	08026621192	080-26621169	Hand Delivery

10.21 Pursuant to Regulation 22(5A) of the SEBI (SAST) Regulations, shareholders of the Target Company desirous of withdrawing the acceptance tendered by them in the Offer may do so up to 3 working days prior to the Offer Closing Date. The withdrawal option can be exercised by submitting the documents as per the instructions below, so as to reach the Registrar to the Offer at any of the collection centers mentioned above as per the mode of delivery indicated therein on or before September 21, 2011 .

a) The withdrawal option can be exercised by submitting the Form of Withdrawal, which is enclosed with the Letter of Offer.

b) In case of non-receipt of the Form of Withdrawal, the withdrawal option can be exercised by making a plain paper application to the Registrar to the Offer, along with the following details:

- In case of physical Shares: name, address, distinctive numbers, folio number, number of Shares tendered; and
- In case of dematerialized Shares: name, address, number of Shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP, in favor of the special depository account.

c) Shareholders can also download the Form of Withdrawal placed on the SEBI website www.sebi.gov.in and send in their withdrawal by filling the same.

d) The withdrawal of Shares will be available only for the share certificates / shares that have been received by the Registrar to the Offer / special depository account. The notification of returned Shares to the shareholders will be at the address, through registered post, as per the records of the Target Company / Depository as the case may be. In case of partial withdrawal of Shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from Target Company. Partial withdrawal of tendered Shares can be done only by the registered shareholders / beneficial owners. In the case of partial withdrawal, the earlier Form of Acceptance will stand revised to that effect. Shareholders holding Shares in dematerialized form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.

10.22 In case of delay due to the non-receipt of statutory approvals, as per Regulation 22(12) of the SEBI (SAST) Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to the willful default or negligence of the Acquirer or failure of the Acquirer to diligently pursue the applications for such approvals, grant an extension for the purpose of completion of this Offer, subject to the Acquirer agreeing to pay to the shareholders interest as may be specified by SEBI for any delay in dispatch of consideration or providing instructions to the clearing system for payment of consideration through Electronic Mode beyond October 8, 2011. However, if the delay occurs on account of the willful default or neglect or inaction or non-action of the Acquirer in obtaining the requisite approval(s), the amount held in the escrow account shall be subject to forfeiture and be dealt with in the manner provided in Regulation 28(12) of the SEBI (SAST) Regulations.

10.23 Payment of consideration will be made through Electronic Mode as detailed below or by way of a crossed account payee cheque / demand draft / pay order and sent by registered post incase of payment of a value in excess of ₹ 1,500/- and ordinary post incase of payment of a value less than ₹ 1,500/-, to those shareholders / unregistered owners and at their own risk, whose shares / share certificates and other documents are found in order and accepted by Acquirer. In case of joint registered holders, cheques / demand drafts will be drawn and sent in the name of the sole / first named holder at their own risk. In case of unregistered owners of Shares, payment will be made in the name of the person stated in the contract note. It is desirable that shareholders provide bank details in the Form of Acceptance-cum-Acknowledgment, so that the same can be incorporated in the cheque / demand draft.

10.23.1 Payment of Consideration through electronic mode:

Credit for the consideration will be paid to the shareholders who have tendered Shares in the Offer by Electronic Mode or crossed account payee cheques / pay orders / demand drafts.

The payment of consideration, if any, would be done through any of various modes as given hereunder:

- NECS: Payment of consideration would be done through NECS for applicants who have provided their complete bank account details including the Magnetic Ink Character Recognition ("**MICR**") code in the Form of Acceptance-cum-Acknowledgement.
- Direct Credit: Applicants having bank accounts with the same bank through which payment consideration shall be made shall also be eligible to receive consideration through direct credit in their respective bank accounts as mentioned in the Form of Acceptance-cum-Acknowledgement.
- RTGS: Applicants whose payment consideration exceeds ₹ 2 lacs have the option to receive funds through RTGS. Such eligible applicants who indicate their preference to receive consideration through RTGS are required to provide the Indian Financial System Code ("**IFSC**") code, type of account and account number in the Form of Acceptance-cum-Acknowledgement. In the event the same is not provided, payment consideration shall be made through other electronic modes or by cheques, pay orders or demand drafts payable.
- NEFT: Payment of consideration shall be undertaken through NEFT wherever the shareholders bank has been assigned the IFSC, which can be linked to a MICR code, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of consideration, duly mapped with MICR numbers. Wherever the shareholder has registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of consideration will be made to the applicants through this method. The process flow in respect of consideration by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- For all other applicants, including those applicants whose payment consideration is not credited by NECS / direct credit due to technical errors or incomplete / incorrect bank account details, payment consideration will be dispatched by registered post incase of payment of a value in excess of ₹ 1,500/- or by ordinary post incase of payment of a value less than ₹ 1,500/-, at the shareholder's sole risk. Such payment consideration will be made by cheques, pay orders or demand drafts payable at par at places where the address of the shareholder is registered.
- In case payment consideration is rejected through the NECS / direct credit facility, the Registrar to the Offer would endeavor to dispatch the payment consideration within three (3) working days of such rejection.
- The bank account details for NECS / Direct Credit / RTGS / NEFT will be directly taken from the depositories' database or from the details as mentioned by the shareholders in the Form of Acceptance-cum-Acknowledgement.

10.24 Unaccepted share certificates, transfer forms and other documents, if any, will be returned by registered post / speed post at the shareholder's / unregistered owner's sole risk to the sole / first shareholder. Unaccepted Shares held in dematerialized form will be credited back to the beneficial owners' depository account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance-cum-Acknowledgement.

10.25 The Registrar to the Offer will hold in trust the shares / share certificates, shares held in credit of the special depository account, Form of Acceptance-cum-Acknowledgement, if any, and the transfer form(s) on behalf of the shareholders of the Target Company who have accepted the Offer, until the cheques / drafts for the consideration or the unaccepted shares / share certificates are dispatched / returned.

10.26 The marketable lot of the Shares is one (1) Share.

11. DOCUMENTS FOR INSPECTION

11.1 The following material documents are available for inspection by shareholders of the Target Company at the office of the Manager to the Offer, Lazard India Private Ltd, 20th floor, Express Towers, Nariman Point, Mumbai 400 021, from 10.30 a.m. to 1.00 p.m. on any day, except Saturdays, Sundays and public holidays, from the Offer Opening Date until the Offer Closing Date:

- A copy of the Share Purchase Agreement dated March 29, 2011 entered into between Promoter Group Sellers, IP Holding Asia Singapore PTE. LTD. and International Paper Company.
- A copy of Non Compete and Business Waiver Agreement entered into between Promoter Group Sellers, IP Holding Asia Singapore PTE. LTD. and International Paper Company.
- A copy of Exclusivity Agreement entered into between Promoter Group Sellers, IP Holding Asia Singapore PTE. LTD. and International Paper Company.
- Certified True Copy of Certificate of Incorporation, Memorandum of Association and Articles of Association of IP Holding Asia Singapore PTE. LTD.
- Certified True Copy of Certificate of Incorporation, By-Laws of International Paper Company.
- Copy of published Public Announcement dated April 1, 2011 together with a copy each of the Corrigendum to the Public Announcement, the Second Corrigendum to the Public Announcement and the Third Corrigendum to the Public Announcement.
- Certified True Copy of Audited Financial as on December 31, 2010 for IP Holding Asia Singapore PTE. LTD.
- Certified True Copy of Form 10- K for last 3 (three) financial year of International Paper Company filed with US SEC.
- The annual reports of the Target Company for the last three years.
- Copy of the certificate dated March 30, 2011 issued by Deloitte & Touché LLP confirming sufficient funds with the Acquirer for meeting its obligations under the SEBI Takeover Code.
- Copy of the agreement between the escrow banker, the Acquirer and the Manager to the Offer, authorizing the Manager to the Offer to realize the value of the 100% cash deposit, in terms of the SEBI Takeover Code.
- Copy of letter from Escrow Banker confirming the amount kept in the escrow account.
- SEBI observation letter dated August 3,2011.
- A copy of the agreement entered into with depository participant for opening a special depository account for the purpose of the offer.
- Interim order dated August 11, 2011 of the Honourable Securities Appellate Tribunal

12. DECLARATION BY THE ACQUIRER AND THE PAC

12.1 The Acquirer and the PAC represented by their respective Board of Directors accept responsibility for the information contained in this Letter of Offer (other than information in relation to the Target Company, which has been compiled from publicly available sources or received from the Target Company) and for their obligations under the SEBI Takeover Code. The Acquirer and the PAC are severally and jointly responsible for fulfillment of their obligations in terms of the SEBI Takeover Code.

For IP Holding Asia Singapore PTE. LTD. & for International Paper Company

Sd/-
Authorized Signatory
Name : PAUL BROWN
Place : HYDERABAD
Date : August 24,2011

Encl:

1. Form of Acceptance-cum-Acknowledgement
2. Form of Withdrawal
3. Transfer deed for Shareholders holding Shares in physical form

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FORM OF ACCEPTANCE-CUM-ACKNOWLEDGEMENT

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

(Please send this Form of Acceptance-cum-Acknowledgement with enclosures to Karvy Computershare Private Limited at any of the collection centres as per the mode of delivery mentioned in the Letter of Offer)

Folio No./DP ID No.:________________ **Client ID No.:** ________________

No of Shares held: ________________

Name : ____

Full Address :____

____

____

OPEN OFFER TO THE SHAREHOLDERS OF THE ANDHRA PRADESH PAPER MILLS LIMITED	
OFFER OPENS ON:	SEPTEMBER 5, 2011
LAST DATE OF WITHDRAWAL	SEPTEMBER 21, 2011
OFFER CLOSES ON:	SEPTEMBER 24, 2011

Tel. No. :__________________**Fax No. :**__________________**E-mail :** ____

To,
The Acquirer : The Andhra Pradesh Paper Mills Limited – Open Offer
C/o Karvy Computershare Private Limited
Plot No 17-24, Vithalrao Nagar,
Madhapur, Hyderabad 500 081

Dear Sir,

Re: Open offer to acquire up to 8,567,521 equity shares of ₹ 10/- each representing up to 21.54% of the outstanding voting equity share capital of The Andhra Pradesh Paper Mills Limited ("Target Company" or "APPM") by IP Holding Asia Singapore PTE. LTD. (the "Acquirer" or "IPSING") along with International Paper Company as Person Acting in Concert ("PAC" or "IPCO") at a price of ₹ 544.2 per Share, payable in cash

I/We refer to the Public Announcement dated April 1, 2011, the Letter of Offer dated August 24,2011 for acquiring the equity shares held by me/us in Target Company. I/We, the undersigned, have read all of the above and accept unconditionally its contents including the terms and conditions mentioned therein.

☐ **SHARES IN PHYSICAL FORM**

I/We accept the Offer and enclose the original share certificate(s) and duly signed valid Transfer Deed(s) in respect of my/our shares as detailed below:

SR. NO.	LEDGER FOLIO NO(S)	CERTIFICATE NO(S)	DISTINCTIVE NO(S)		NO. OF SHARES
			FROM	TO	
1					
2					
3					
(In case the space provided is inadequate, please attach a separate sheet with details.)				**Total No. of Equity Shares**	

☐ **SHARES IN DEMATERIALIZED FORM**

I/We, holding Shares in the dematerialized form, accept the Offer and enclose the photocopy of the Delivery Instruction in "Off-market" mode, duly acknowledged by the Depository Participant ("DP") in respect of my Shares as detailed below:

DP NAME	DP ID	CLIENT ID	BENEFICIARY NAME	NO. OF SHARES

I/We have executed an off-market transaction for crediting the Shares to the special depository account as per the details below

☐ via a delivery instruction from my account with NSDL

☐ via an inter-depository delivery instruction from my account with CDSL

for crediting the Equity Shares to the Special Depository Account with NSDL whose particulars are as given below:

Depository Name	National Securities Depository Limited
DP Name	KARVY STOCK BROKING LTD
DP ID Number	IN300394
Beneficiary Account Name	"KCPL Escrow A/c - APPM Ltd Open Offer"
Client ID	18133243

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ACKNOWLEDGEMENT SLIP
THE ANDHRA PRADESH PAPER MILLS LIMITED - OPEN OFFER

Received from Mr./Ms. ________________________________ residing at ________________________________ a Form of Acceptance-cum-Acknowledgement for Shares along with:

☐ copy of depository instruction slip from DP ID ____________________ Client ID ____________________

☐ ____________________ Share Certificate(s) ____________________ transfer deed(s) under folio number(s) ____________________ for accepting the Offer made by the Acquirer and PAC.

STAMP OF COLLECTION CENTRE		SIGNATURE OF OFFICIAL		DATE OF RECEIPT	

I/We confirm that the equity shares of The Andhra Pradesh Paper Mills Limited , which are being tendered herewith by me/us under this Offer, are free from liens, charges and encumbrances of any kind whatsoever.

I/We note and understand that the Shares would lie in the special depository account until the time the Acquirer / PAC dispatches the purchase consideration as mentioned in the Letter of Offer. I/We also note and understand that the Acquirer / PAC will pay the purchase consideration only after verification of the documents and signatures.

I/We authorize the Acquirer, PAC, the Registrar to the Offer and the Manager to the Offer to send by Registered Post/UPC as may be applicable at my/our risk, the draft/ cheque/warrant, in full and final settlement of the amount due to me/us and/or other documents or papers or correspondence to the sole/first holder at the address mentioned below. In case I have tendered my Shares in dematerialized form, I authorize Acquirer, PAC, the Registrar to the Offer and the Manager to the Offer to use my details regarding my address and bank account details as obtained from my depository participant for the purpose of mailing the aforementioned instruments.

Please indicate the preferred mode of receiving the payment consideration. (Please tick)

(1) Electronic Mode: ______________________ OR (2) Physical Mode: ______________________

Shareholders opting for Option (1) must complete the following table and enclose a cancelled cheque or a photocopy of a cheque, associated with the particular bank account where refund is desired. To avoid fraudulent encashment in transit, Shareholders opting for Option (2) must provide the Name of the Bank, Branch, City details and the Account Number & Type in the following table.

Name of the Bank	Branch	City
Account Number	Savings/Current/Others (please specify)	
9 digit MICR code:	IFSC Code (for RTGS/NEFT Transfers):	

The bank account details will be directly taken from the Depositories' database, wherever possible. A Shareholder tendering Shares in the Offer, is deemed to have given consent to obtain the bank account details from the Depositories, for this purpose. Only if the required details cannot be obtained from the depositories' database then the particulars provided by the Shareholders above would be used.

I/We note and understand that the Shares would lie in the special depository account until the time payment of purchase consideration as mentioned in the Letter of Offer is made.

I/We authorize the Acquirer and PAC to accept the Shares so offered which it may decide to accept in consultation with the Manager to the Offer and in terms of the Letter of Offer and I/We further authorize the Acquirer and PAC to return to me/us, share certificate(s)/ Shares in respect of which the Offer is not found valid/not accepted without specifying the reasons thereof.

I/We also understand that the Acquirer/ PAC will pay the Offer consideration only after verification of the documents and signatures, net of applicable withholding taxes, if any.

For all shareholders

I/We confirm that our residential status under the (Indian) Income-tax Act, 1961 ("Income Tax Act") is:

☐ Resident ☐ Non-resident. If yes, please state country of tax residency - ______________________

I/ We, confirm that our status is:

☐ Individual ☐ Firm ☐ Company

☐ Association of Person/ Body of Individual ☐ Trust ☐ Any other – please specify ______________________

For Non-resident Shareholders (other than FII)

I/We have enclosed the following documents:

☐ Self Attested copy of PAN Card

☐ Withholding Certificate from the Income-tax Authorities under Section 195(3) or Section 197 of the Income Tax Act

☐ RBI approvals for acquiring Shares of The Andhra Pradesh Paper Mills Limited hereby tendered in the Offer

For FII Shareholders

I/We, confirm that the income arising from the transfer of shares tendered by me/ us is in the nature of (select whichever is applicable):

☐ Capital Gains ☐ Any other income

I/ We have enclosed the following documents:

☐ Self Attested copy of PAN Card

☐ Withholding Certificate from the Income-tax Authorities under Section 195(3) or Section 197 of the Income Tax Act

☐ SEBI Registration Certificate for FIIs

I/We confirm that ______________________ [please specify the amount/ rate of Overseas tax to be withheld] is deductible on the entire consideration towards Overseas tax as per the relevant tax laws of the country in which I/ we am/ are tax resident/s. (Refer paragraph 10.13 of the Letter of Offer).

For Resident Shareholders

I/We have enclosed the following documents:

☐ Self Attested copy of PAN Card

☐ Self declaration form in Form 15G/ Form 15H, if applicable

☐ Withholding Certificate from the Income-tax Authorities under Section 197 of the Income Tax Act (applicable only for interest payments, if any)

☐ For Mutual funds/ Banks/ other specified entities under Section 194A(3)(iii) of the Income Tax Act, 1961, copy of the relevant Registration or notification (applicable only for interest payment, if any)

- - - - - - - - - - - - - - - - - - - Tear along this line - - - - - - - - - - - - - - - - - - -

Note: All future correspondence, if any, should be addressed to the Registrar to the Offer

Karvy Computershare Private Limited

Address: Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081

Tel: 040 - 44655000/23420815-23, Fax: 040- 23431551

E-mail: murali@karvy.com

Contact Person: Mr. M. Murali Krishna / Mr. Williams.

Yours faithfully,

Signed and Delivered

	FULL NAME(S) OF THE SHAREHOLDERS	PAN NUMBER	SIGNATURE
First/Sole Holder			
Joint Holder 1			
Joint Holder 2			
Joint Holder 3			

Note: - in case of joint holdings, all holders must sign. In case of body corporate, the Company seal should affixed

Address of First/Sole Shareholder ______________________________

____

Place: ______________________ Date : ______________________

INSTRUCTIONS

1. In the case of dematerialised Shares, the Shareholders are advised to ensure that their Shares are credited in favour of the special depository account, before the Offer Closing Date i.e. Saturday, September 24, 2011. The Form of Acceptance-cum-Acknowledgement of such demat Shares not credited in favour of the special depository account, before the Offer Closing Date will be rejected.

2. **Shareholders should enclose the following**

   I. For equity shares held in physical form:-

   - **Registered shareholders should enclose**
     - Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the Share certificates.
     - **Original Share Certificate(s)**
     - **Valid transfer deed(s) / form(s)** duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with The Andhra Pradesh Paper Mills Limited and duly witnessed at the appropriate place. Attestation, where required, (thumb impressions, signature difference, etc.) should be done by a Magistrate/Notary Public/ Bank Manager under their Official Seal. The details of the buyer should be left blank failing which the same will be invalid under the Offer. The details of the buyer will be filled upon verification of the Form of Acceptance and the same being found valid. All other requirements for valid transfer will be preconditions for valid acceptance. Shareholders holding physical Shares can also contact the Registrar to the Offer at any of their collection centres at the address given in the Letter of Offer to obtain a blank share transfer deed.

       In case of non receipt of the aforesaid documents, but receipt of the original Share certificate(s) and transfer deed(s) duly signed, the Offer shall be deemed to be accepted.
   - **Unregistered owners should enclose**
     - Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein.
     - **Original Share Certificate(s).**
     - **Original broker contract note**.
     - **Valid Share transfer deed(s)** as received from market. The details of buyer should be left blank failing which, the same will be invalid under the Offer. Unregistered shareholders should not sign the transfer deed. The transfer deed should be valid for transfer. No indemnity is required from unregistered shareholders.

       All other requirements for valid transfer will be preconditions for valid acceptance.

   II. For equity shares held in demat form:-

   Beneficial owners should enclose

   - Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein, as per the records of the Depository Participant (DP).
   - Photocopy of the delivery instruction in “Off-market” mode or counterfoil of the delivery instruction in “Off-market” mode, duly acknowledged by the DP in favour of special depository account as per the instruction in the Letter of Offer.

     In case of non receipt of the aforesaid documents, but receipt of the credit in the escrow depository account, the Offer shall be deemed to be accepted

3. The Share certificate(s), share transfer deed(s) and the Form of Acceptance-cum-Acknowledgement should be sent only to the registrar to the Offer and not to the Manager to the Offer or the Acquirer or The Andhra Pradesh Paper Mills Limited

4. Shareholders having their beneficiary account with CDSL have to use “INTER DEPOSITORY DELIVERY INSTRUCTION SLIP” for the purpose of crediting their Shares in favour of the special depository account with NSDL.

5. While tendering Shares under the Offer, NRIs/ OCBs/ foreign and other non resident shareholders will be also required to submit the RBI approvals, if any (specific or general) that they would have obtained for acquiring Shares. OCB shareholders, if any, are required to submit approval from RBI for tendering Shares in the Offer. In case the RBI approvals are not submitted, the Acquirer reserves the right to reject the Shares tendered.

6. Nonresident shareholders are advised to refer to the clause on taxation in Section 10 of the Letter of Offer regarding important disclosures regarding the taxation of the consideration to be received by them.

7. In case PAN is not submitted or is invalid or does not belong to the Shareholder, Acquirer/ PAC will arrange to deduct tax at the rate of 20% (twenty percent) or at the rate in force or at the rate specified in the relevant provisions of the Income Tax Act, or at the maximum rate as discussed in paragraphs 10.13 to 10.15 of the Letter of Offer, whichever is higher, plus applicable surcharge and cess.

8. In case of ambiguity, incomplete information or the information not being provided to the Acquirer, it would be assumed that the Shareholder is a non-resident Shareholder and taxes shall be deducted at the maximum rate as may be applicable to the relevant category to which the Shareholder belongs under the Income Tax Act, on the entire consideration and interest if any, payable to the Shareholder.

9. Shareholders are advised to indicate the bank account details at the appropriate place in the Form of Acceptance-cum-Acknowledgement and the consideration cheque would be made to the bank account of the sole/ first shareholder. The payment would be made at par to all the shareholders.

10. Shareholders, while tendering their Shares in the Offer may indicate an option to receive the payment of Offer consideration through electronic form by indicating in the space provided in the FOA. The payment consideration for Shares accepted under the Offer, in such cases, may be made through Electronic Clearing Services (ECS), Direct Credit, Real Time Gross Settlement (RTGS) or National Electronic Funds Transfer (NEFT), as applicable, at specified centers where clearing houses are managed by the Reserve Bank of India, wherever possible. In other cases, payment of consideration would be made through cheque / demand draft / pay order sent by Registered post / speed post. Shareholders who opt for receiving consideration through electronic form are requested to give the authorization for electronic mode of transfer of funds in the Form of Acceptance, provide the MICR / IFSC code of their bank branch and enclose a cancelled cheque or a photocopy of a cheque associated with the particular bank account, along with the Form of Acceptance. In case of joint holders, payments will be made in the name of the first holder/ unregistered owner.

11. Rejection of Shares

    If the Shares are rejected for any of the following reasons, the Shares will be returned to the sole / first named holder(s) along with all the documents received from them at the time of submission. Please note that the following list is not exhaustive.

    a. The signature(s) of the holder(s) do not match with the specimen signature(s) as per the records of The Andhra Pradesh Paper Mills Limited;

    b. The transfer deed is not complete or valid;

    c. The relevant documents, as applicable, mentioned above at 2 and in addition at 5, 6 and 7 are not submitted with the Form of Acceptance-cum-Acknowledgement.

    The Acquirer also reserves the right to reject such tenders from shareholders, where the relevant documents are not submitted.

12. All documents / remittances sent by or to shareholders will be at their own risk. Shareholders of The Andhra Pradesh Paper Mills Limited are advised to adequately safeguard their interests in this regard. Shares held in demat form to the extent not accepted will be credited back to the beneficial owners' depository account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance-cum-Acknowledgement.

13. Neither the Acquirer, the Manager to the Offer, the Registrar to the Offer or The Andhra Pradesh Paper Mills Limited will be liable for any delay/loss in transit resulting in delayed receipt/ non-receipt by the Registrar to the Offer of your Form of Acceptance-cum-Acknowledgement or for the failure to deposit your Shares to the special depository account or submission of original physical Share certificates due to inaccurate/incomplete particulars/instructions on your part, or for any other reason.

14. Applicants who cannot hand deliver their documents at the collection centers, may send their documents only by Registered Post, at their own risk, to the Registrar to the Offer at Karvy Computershare Private Limited, Karvy Computershare. Pvt Ltd. Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, so as to reach the Registrar to the Offer on or before 1 PM on the Offer Closing Date i.e. Saturday, September 24, 2011.

15. The Form of Acceptance-cum-Acknowledgement and other related documents should be submitted by way of hand delivery at any of the collection centers of Karvy Computershare Private Limited which are as follows:

	Collection	Address of Collection Centers	Contact person	Phone no	Fax no.	Mode of Delivery
1.	Mumbai (Fort)	Karvy Computershare. Pvt Ltd. 24, Maharashtra Chamber. of Commerce Lane, Opp. MSC Bank, Nr Kalaghoda, Behind Rhythm House Fort Mumbai - 400 023	Ms.Nutan Shirke	022-66381747 & 66382666	022-66331135	Hand Delivery
2.	New Delhi	Karvy Computershare Pvt Ltd. 305, New Delhi House, 27, Barakhamba Road, Connaught Place, New Delhi -110 001	Mr. Rakesh Kr Jamwal / Vinod Singh Negi / John Mathew	011-43681700 / 1798	011-41036370	Hand Delivery
3.	Ahmedabad	Karvy Computershare. Pvt Ltd. 201-203,Shail,Opp: Madhusudhan House Behind Girish Cold Drinks Off C G Road Ahmedabad 380 006	Mr.Aditya Gupta/ Robert Joeboy	079-66614772 / 26407541 / 2656 5551	-	Hand Delivery
4.	Chennai	Karvy Computershare. Pvt Ltd. No. 33/1, Venkatraman Street, T.Nagar, Chennai - 600017	Ms. Janaki	044 - 45900900/902	044-28153181	Hand Delivery
5.	Hyderabad	Karvy Computershare. Pvt Ltd. Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081	Ms. Rinki Sareen	040-/ 44655000 / 23420815-23	040-23431551	Hand Delivery/ Regd Post
6.	Kolkata	Karvy Computershare. Pvt Ltd. 49, Jatin Das Road, Nr.Deshpriya Park, Kolkatta 700 029	Mr. Sujit Kundu/ Mr. Debnath	033-24644891	033-24644866	Hand Delivery
7.	Bengaluru	Karvy Computershare. Pvt Ltd. No.59, Skanda, Putana Road, Basavanagudi Bengaluru 560 004	Mr. Kumaraswamy/ Ms.V Sudha	080¬26621192	080-26621169	Hand Delivery

*Working hours for the above collection centers: Monday to Friday - 10:00 am to 4:00 pm and Saturday - 10:00 am to 1:00 pm. The centers will be closed on Sundays and public holidays.

The tax deducted under this Offer is not the final liability of the Shareholders or in no way discharges the obligation of the Shareholders to disclose the amount received pursuant to this Offer. The tax rates and other provisions may undergo changes.

Shareholders are advised to consult their tax advisors with regard to the tax consequences of tendering their Equity Shares in the Offer and the appropriate course of action that they should take. The Acquirer, the Manager to the Offer and the Registrar to the Offer do not accept any responsibility for the accuracy or otherwise of such advice.

FORM OF WITHDRAWAL

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

(Please send this Form of Withdrawal with enclosures to Karvy Computershare Private Limited at any of the collection centres as per the mode of delivery mentioned in the Letter of Offer)

OPEN OFFER TO THE SHAREHOLDERS OF THE ANDHRA PRADESH PAPER MILLS LIMITED	
OFFER OPENS ON:	SEPTEMBER 5, 2011
LAST DATE OF WITHDRAWAL	SEPTEMBER 21, 2011
OFFER CLOSES ON:	SEPTEMBER 24, 2011

Folio No./DP ID No.:________________ **Client ID No.:** ________________

No of Shares held: ________________

Name : ____

Full Address :____

____

____

Tel. No. :____________________**Fax No. :**____________________**E-mail :** ______________________________

To,

The Acquirer : The Andhra Pradesh Paper Mills Limited – Open Offer
C/o Karvy Computershare Private Limited
Plot No 17-24, Vithalrao Nagar,
Madhapur, Hyderabad 500 081

Dear Sir,

Re: Open offer to acquire up to 8,567,521 equity shares of ₹ 10/- each representing up to 21.54% of the outstanding voting equity share capital of The Andhra Pradesh Paper Mills Limited ("Target Company" or "APPM") by IP Holding Asia Singapore PTE. LTD. (the "Acquirer" or "IPSING") along with International Paper Company as Person Acting in Concert ("PAC" or "IPCO") at a price of ₹ 544.2 per Share, payable in cash

Sub:- Withdrawal of Shares tendered in the caption Offer

I/We refer to the public announcement dated April 1, 2011 and the Letter of Offer dated August 24,2011 for acquiring the equity shares held by me/us in Target Company. I / We, the undersigned have read all of the aforementioned and understood their contents including the terms and conditions mentioned therein.

I/We have also read the procedure for withdrawal of Shares tendered by me/us in the Offer as mentioned in the Letter of Offer and unconditionally agree to the terms and conditions mentioned therein

I/We hereby consent unconditionally and irrevocably to withdraw my / our Shares from the Offer and I / we further authorize the Acquirer and PAC to return to me / us, the tendered Share Certificate(s) / Share(s) at my / our sole risk.

I/We note that upon withdrawal of my / our Shares from the Offer, no claim or liability shall lie against the Acquirers / PAC / Manager to the Offer / Registrar to the Offer.

I/We note that this Form of Withdrawal should reach the Registrar to the Offer at the collection center where the Form of Acceptance-cum-Acknowledgement was tendered on or before the last date of withdrawal i.e. September 21,2011 I/We note the Acquirer / PAC / Manager to the Offer / Registrar to the Offer shall not be liable for any postal delay / loss in transit of the Shares held in physical form and also for the non-receipt of Shares held in the dematerialized form in the DP account due to inaccurate / incomplete particulars/ instructions.

I/We also note and understand that the Acquirer and PAC will return the original share certificate(s), share transfer deed(s) / Shares in dematerialized form only on completion of verification of the documents, signatures and beneficiary position as available with the depositories from time to time.

The particulars of tendered original share certificate(s) and duly signed transfer deed(s) are detailed below:

SR. NO.	LEDGER FOLIO NO(S)	CERTIFICATE NO(S)	DISTINCTIVE NO(S)		NO. OF SHARES TENDERED	NO. OF SHARES WITHDRAWN
			FROM	TO		
1						
2						
(In case the space provided is inadequate, please attach a separate sheet with details.)				Total No. of Equity Shares		

I/We holding the following Shares in dematerialised form, have tendered the Shares in the Offer and had done an "Off-market" transaction for crediting the Shares to the special depository account with Karvy Stock Broking Limited at NSDL styled "KCPL Escrow A/c - APPM Ltd Open Offer" whose particulars are:

DP Name: Karvy Stock Broking Limited	DP ID: IN300394	Client ID: 18133243

Please find enclosed a photocopy of the depository delivery instruction(s) duly acknowledged by the Depository Participant.

The particulars of the account from which my / our Shares have been tendered are as follows:

- - - - - - - - - - - - - - - - Tear along this line - - - - - - - - - - - - - - - -

ACKNOWLEDGEMENT SLIP
THE ANDHRA PRADESH PAPER MILLS LIMITED - OPEN OFFER

Received from Mr./Ms. ______________________________ residing at ______________________________

______________________________ a Form of Withdrawal for Shares along with:

☐ copy of depository instruction slip from DP ID ______________________ Client ID ______________________

☐ copy of acknowledgement slip issued when depositing dematerialized Shares

☐ copy of acknowledgement slip issued when depositing physical Shares for withdrawing from the Offer made by the Acquirer and PAC.

STAMP OF COLLECTION CENTRE		SIGNATURE OF OFFICIAL		DATE OF RECEIPT	

DP NAME	DP ID	CLIENT ID	BENEFICIARY NAME	NO. OF SHARES TENDERED	NO. OF SHARES WITHDRAWN

I/We note that the Shares will be credited back only to that depository account, from which the Shares have been tendered and necessary standing instructions have been issued in this regard.

I/We confirm that the particulars given above are true and correct.

In case of dematerialized Shares, I / we confirm that the signatures have been verified by the DP as per their records and the same have been duly attested.

Yours faithfully,

Signed and Delivered

	FULL NAME(S) OF THE SHAREHOLDERS	SIGNATURE
First/Sole Holder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Note: - in case of joint holdings, all holders must sign. In case of body corporate, the Company seal should affixed any necessary Board resolution should be attached

Address of First/Sole Shareholder ______________________________

____

Place: ____________________ Date : ____________________

- - - - - - - - - - - - - - - - - - Tear along this line - - - - - - - - - - - - - - - - - -

Note: All future correspondence, if any, should be addressed to the Registrar to the Offer

Karvy Computershare Private Limited

Address: Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081

Tel: 040 - 44655000/23420815-23, Fax: 040- 23431551

E-mail: murali@karvy.com

Contact Person: Mr. M. Murali Krishna / Mr. Williams.

INSTRUCTIONS

1. Shareholders are advised to ensure that the Form of Withdrawal should reach the Registrar to the Offer at the collection center where the original Form of Acceptance-cum-Acknowledgement was tendered on or before the last date of withdrawal i.e. September 21, 2011.

2. Shareholders should enclose the following:-

I. For Shares held in demat form:-

Beneficial owners should enclose

- Duly signed and completed Form of Withdrawal.
- Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
- Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP.

II. For Shares held in physical form:-

Registered Shareholders should enclose:

- Duly signed and completed Form of Withdrawal.
- Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.

In case of partial withdrawal, valid share transfer deed(s) for the remaining equity shares (i.e. shares not withdrawn) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with The Andhra Pradesh Paper Mills Limited and duly witnessed at the appropriate place. Further the transfer deed should be valid for transfer. Shareholders holding physical Shares can also contact the Registrar to the Offer at any of their collection centres at the address given in the Letter of Offer to obtain a blank share transfer deed.

Unregistered owners should enclose:

- Duly signed and completed Form of Withdrawal.
- Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.

3. The withdrawal of equity shares will be available only for the equity share certificates/the equity shares that have been received by the Registrar to the Offer/ special depository escrow account.
4. The intimation of returned equity shares to the shareholders will be at the address as per the records of the Target Company/ Depository as the case may be.
5. The Form of Withdrawal should be sent only to the Registrar to the Offer.
6. In case of partial withdrawal of equity shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from the Target Company. The facility of partial withdrawal is available only to registered shareholders.
7. Shareholders holding equity shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.
8. The Form of Withdrawal and other related documents should be submitted at the collection center where the original Form of Acceptance was tendered.
9. The Form of Withdrawal and other related documents should be submitted by way of hand delivery at any of the collection centers of Karvy Computershare Private Limited which are as follows:

	Collection	Address of Collection Centers	Contact person	Phone no	Fax no.	Mode of Delivery
1.	Mumbai (Fort)	Karvy Computershare. Pvt Ltd. 24, Maharashtra Chamber. of Commerce Lane, Opp. MSC Bank, Nr Kalaghoda, Behind Rhythm House Fort Mumbai - 400 023	Ms.Nutan Shirke	022-66381747 & 66382666	022-66331135	Hand Delivery
2.	New Delhi	Karvy Computershare Pvt Ltd. 305, New Delhi House, 27, Barakhamba Road, Connaught Place, New Delhi -110 001	Mr. Rakesh Kr Jamwal / Vinod Singh Negi / John Mathew	011-43681700 / 1798	011-41036370	Hand Delivery
3.	Ahmedabad	Karvy Computershare. Pvt Ltd. 201-203,Shail,Opp: Madhusudhan House Behind Girish Cold Drinks Off C G Road Ahmedabad 380 006	Mr.Aditya Gupta/ Robert Joeboy	079-66614772 / 26407541 / 2656 5551	-	Hand Delivery
4.	Chennai	Karvy Computershare. Pvt Ltd. No. 33/1, Venkatraman Street, T.Nagar, Chennai - 600017	Ms. Janaki	044 - 45900900/902	044-28153181	Hand Delivery
5.	Hyderabad	Karvy Computershare. Pvt Ltd. Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081	Ms. Rinki Sareen	040-/ 44655000 / 23420815-23	040-23431551	Hand Delivery/ Regd Post
6.	Kolkata	Karvy Computershare. Pvt Ltd. 49, Jatin Das Road, Nr.Deshpriya Park, Kolkatta 700 029	Mr. Sujit Kundu/ Mr. Debnath	033-24644891	033-24644866	Hand Delivery
7.	Bengaluru	Karvy Computershare. Pvt Ltd. No.59, Skanda, Putana Road, Basavanagudi Bengaluru 560 004	Mr. Kumaraswamy/ Ms.V Sudha	080¬26621192	080-26621169	Hand Delivery

*Working hours for the above collection centers: Monday to Friday - 10:00 am to 4:00 pm and Saturday - 10:00 am to 1:00 pm. The centers will be closed on Sundays and public holidays.

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