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ANNUAL REPORT

1997-1998

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KALLAM SPINNING MILLS LTD
NH 5, CHOWDAVARAM
GUNTUR - 522 019

KALLAM SPINNING MILLS LTD.



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KALLAM SPINNING MILLS LTD.

BOARD OF DIRECTORS

T.R. Dhinakaran	<i>Chairman</i>
K. Haranadha Reddy	<i>Managing Director</i>
G.V.Krishna Reddy	<i>Director</i>
L.S.Manivannan	<i>Director</i>
K. Nagi Reddy	<i>Director</i>
Y. Ravindra Nath	<i>Director</i>
Ch. Radhakrishna Murthy	<i>Director</i>
M. V. Subba Reddy	<i>Addl. Director</i>
T. Venkateswarlu	<i>Addl. Director</i>
L. Sreerama Murthy	<i>Addl. Director</i>

BANKERS

Andhra Bank
Main Branch, Kothapet
Guntur - 522 001.

AUDITORS

M/s. BRAHMAYYA & CO.,
Chartered Accountants,
Sambasivapet,
Guntur - 522 001.

REGISTERED OFFICE & FACTORY

10th K.M, N.H.5.
Chowdavaram.
Guntur - 522 019.
Phones : 288347, 288210
Grams : Goldenyarn

KALLAM SPINNING MILLS LTD.

NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the sixth Annual General Meeting of the Shareholders of **KALLAM SPINNING MILLS LIMITED** will be held on Wednesday, the 23rd September, 1998 at **3.00 P.M.** at the Registered Office of the Company at 10th K.M., N.H.5, Chowdavaram, Guntur-522 019, Andhra Pradesh, to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1998 and Profit and Loss Account for the year ended 31st March, 1998 and the report of Directors and Auditors thereon.
2. To elect a Director in place of Sri Kallam Haranadha Reddy, who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in Place of Sri G.V.Krishna Reddy, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in place of Sri Y. Ravindranath, who retires by rotation and being eligible, offers for re-election.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

“RESOLVED that Subject to the provisions of the sections 198, 269, 309, 310, 314, and applicable provisions, if any of the companies act 1956, read with schedules, XIII thereof, the consent of the company be and is hereby accorded for the appointment of Sri M.V. Subba Reddy as Director (Purchases) with effect from 1st August 1998”.

7. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

KALLAM SPINNING MILLS LTD.

"RESOLVED that Subject to the provisions of the sections 198, 269, 309, 310, 314, and applicable provisions, if any of the companies act 1956, read with schedules, XIII thereof, the consent of the company be and is hereby accorded for the appointment of Sri T. Venkateswarlu a practicing chartered accountant as a director with effect from 1st August, 1998.

8. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED that Subject to the provisions of the sections 198, 269, 309, 310, 314, and applicable provisions, if any of the companies act 1956, read with schedules, XIII thereof, the consent of the company be and is hereby accorded for the appointment of Sri L. Sree Rama Murthy a retired regional manager of Andhra Bank as a director with effect from 1st August 1998.

Place : GUNTUR
Date : 30.06.1998

By order Of the Board of Directors
(K.HARANADHA REDDY)
Managing Director

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NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the company.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of Special Business at Item 6, 7 and 8 of the above Notice is annexed.
3. In case the members wish to seek any information about the accounts and operations of Company, they are requested to send their queries in writing at least ten days before the date of the meeting so that the information can be made available at the time of meeting.
4. Members are requested to notify immediately any change in their address to the Company's Registered Office.
5. The register of members and share transfer books of the company will remain closed from 17th September 1998 to 23rd September 1998. (Both days inclusive.)

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to section 173(2) of the companies Act, 1956.

ITEM No.6 :

Sri M.V. Subba Reddy is associated with the company since its inception as purchase incharge (raw materials). He is a post graduate in commerce having experience in cotton purchases for the last 3 years with the company, gained excellent knowledge in procurement of

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raw material. Considering his experience in relevant field the Board of directors appointed him as an Additional Director (purchases) in their meeting held on 30th July 1998, with effect from 01-08-98 on the basis of remuneration already drawing as an employee of the company, which is in accordance with the schedule XIII of the companies Act, 1956.

None of the Directors except sri M.V. Subba Reddy may be considered to be concerned or interested in the resolution.

ITEM No.7 :

Sri. T. Venkateswarlu a practicing chartered accountant having experience in the field of sales tax, income tax is associated with the company as consultant (sales tax) right from the inception. Because of his continued association and valuable serves the board of directors appointed him as an Additional Director in their meeting held on 30th July 1998, with effect from 01-08-98.

None of the Directors except sri Sri. T. Venkateswarlu may be considered to be concerned or interested in the resolution.

ITEM No. 8 :

Sri. L. Sree Rama Murthy a retired Regional Manager of Andhra Bank having served in various capacities have friendly connections with the company, and used to provide his valuable suggestions in areas of finance, banking operations etc in times of need. Considering his vast experience and expertise knowledge, the board of directors appointed him as an Additional director in their board meeting held on 30th July 98 with effect from 01-08-98.

None of the Directors except Sri. L. Sree Rama Murthy may be concerned or interested in the resolution.

Your directors commend the resolutions set out under item nos 6, 7 and 8 in the notice for your approval.

Place : GUNTUR
Date : 30.06.1998

By order Of the Board of Directors

(K.HARANADHA REDDY)
Managing Director

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DIRECTORS'REPORT

Your Directors have pleasure in presenting the Sixth Annual Report together with the Audited Accounts for the year ended 31st March,1998.

1. FINANCIAL RESULTS:

The Financial results for the year ended 31st March,1998 are summerised below:

PARTICULARS	1997-98		1996-97
	Projected Rs.in Lacs	Actuals Rs.in Lacs	Actuals Rs.in Lacs
Sales	1283.00	2242.14	1654.37
Other Income	-	3.73	3.85
Profit before Interest, Depreciation And Tax	411.00	252.99	305.53
Depreciation	103.00	77.68	65.96
Interest	120.00	203.61	183.96
Profit/(Loss)Before Tax	189.00	(28.30)	55.61
Provision For Tax	-	-	2.30
Profit After Tax	189.00	(28.30)	53.31
Profit/(Loss) Brought Forward From Previous Year	110.00	(35.21)	(88.52)
Profit /(Loss)Carried To Balance Sheet	213.00	63.51	(35.21)

2. REVIEW OF OPERATIONS:

The Company has recorded negative result this year due to several adverse factors effecting the textile industry like high cotton prices, yarn prices not moving in tune with the raw material cost, crippling financial crunch etc. During the year the Company recorded an exports of 63% out of its total turnover. The management has made every effort in purchase of quality raw material, utilisation of plant at optimum level for bringing down the cost of production. The Company recorded a turnover of 22.42 crores as against 16.54 crores (Previous year) during the year under review. The Company's Bankers Andhra Bank sanctioned USD 11,20,000 of Foreign Currency Term Loan for installation of balancing Machinery at various stages of production with a view to establish standard production line of required counts. During the year new machinery like second line of Blow room, 2no.s Cards, one Auto leveller Draw Frame RSB851, one Speed Frame, LF 1400, one Auto Cone Winder from Murata Machinery Ltd. Japan and a captive generator set were installed and commissioned. The Product of the Company mooving fast in export front due to quality concept observed at all levels of management, which may stimulate further improvement in export sales.

KALLAM SPINNING MILLS LTD.

3. FUTURE OUTLOOK:

The company is increasing its production capacity to 18144 spindles by the end of the financial year 1998-99. Consequently the turnover is expected to touch 28 crores as against present turnover, which may provide for positive line of profitability again. The company approached ICICI for working capital Term Loan to meet its immediate requirement of working capital due to increase in production capacity.

4. EXPORTS :

As reported at the 4th and 5th Annual General meetings, the company has identified exports as a thrust area for the years to come. During the year under review your company has exported to South Korea, Taiwan, Indonesia, Egypt, Israel, Bangladesh, Mauritius, Hongkong, Srilanka, China, Belgium, Russia. Further the Board is optimistic barring unforeseen circumstances, and in view of its all round strength, the future of exports are expected to be satisfactory.

5. DIRECTORS :

During the year under review there was no change in the Board of Directors, Pursuant to the provisions of the section 266 & 256 of the companies act 1956, Directors Sri Kallam Haranadha Reddy. G.V. Krishna Reddy, Y. Ravindhra Nath retire by rotation and are eligible for reappointment. Further in view of increase in operations in manifold, the Board has thought it fit to induct Sri M.V. Subba Reddy as an additional Director purchases T.Venkateswarlu and L. Sreerama Murthy as an additional Directors of the Company at the Board meeting held on 30th July 1998.

6. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of 217(10)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto (Annexure I) and forms part of this report.

7. PARTICULARS OF EMPLOYEES:

The particulars required pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended by the Companies (Amendment) Act, 1988 are given in the statement annexed hereto (Annexure II) and forms part of this report.

8. FIXED DEPOSITS:

Your Company has not accepted any deposits from the public during the year under review or any other year.

9. AUDITORS:

M/s. Brahmayya & Co., Chartered Accountants, Guntur, the Statutory Auditors of the Company retire at the conclusion of this Annual General Meeting and are eligible for reappointment.

KALLAM SPINNING MILLS LTD.

10. PERSONNEL:

Your Directors wish to thank the Employees at all levels of the Company for their excellent support and contribution made by them towards achieving the objectives of the Company.

11. ACKNOWLEDGMENT:

Yours Directors would like to express their grateful appreciation for the assistance and co-operation received from ICICI Ltd., Andhra Bank, Chaitanya Grameena Bank and various other Departments of the State and Central Governments, Auditors, Customers and Suppliers ,during the year under review.

Place: GUNTUR

Date: 30.06.98

For and on behalf of the Board of Directors

K.HARANADHA REDDY

Managing Director

