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ANNUAL REPORT
2000 - 2001



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KALLAM SPINNING MILLS LIMITED

NH 5, CHOWDAVARAM
GUNTUR, A.P. - 522 019

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KALLAM SPINNING MILLS LTD.

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BOARD OF DIRECTORS

T.R. Dhinakaran	Chairman
K. Haranadha Reddy	Managing Director
G.V. Krishna Reddy	Whole Time Director
K. Nagi Reddy	Director
L. Sreerama Murthy	Director
M.R.Naik	Director
M.V.Subba Reddy	Director
N. Prabhakara Rao	Director

BANKERS

Andhra Bank
Main Branch, Kothapet
Guntur - 522 001.

AUDITORS

M/s. BRAHMAYYA & CO.,
Chartered Accountants,
10-3-21, Sambasivapet,
Guntur - 522 001.

REGISTERED OFFICE & FACTORY

N.H.5,Chowdavaram.
Guntur - 522 019.
Phones: 512001, 512005, 512006.
Grams: "GOLDENYARN".

SHARE TRANSFER AGENTS

SREE PADMA CORPORATE SERVICES PRIVATE LIMITED,
6-3-1085, Flat No. 206, Badam Sohana Aptts, Somaji Guda,
HYDERABAD - 500 082, Telphone: 3306350.

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KALLAM SPINNING MILLS LTD.

NOTICE TO SHARE HOLDERS

NOTICE is hereby given that the Ninth Annual General Meeting of the Shareholders of **KALLAM SPINNING MILLS LTD** will be held on Saturday, the 29th September, 2001 at 3.00 P.M. at the Registered Office of the Company at 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, 2001 and Profit and Loss Account for the year ended 31st March, 2001 and the report of Directors and Auditors thereon.
2. To elect a Director in place of Sri K. Nagi Reddy, who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in place of Sri M.R. Naik, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in place of Sri M.V. Subba Reddy, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors to held office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

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 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. All communications relating to shares are to be addressed to the companies transfer agents, SREE PADMA CORPORATE SERVICES PVT LTD., 6-3-1085, FLAT NO. 206, BADAM SOHANA APTTS, SOMAJIGUDA, HYDERABAD - 500 082, TEL : 3306350.
6. The register of members and share transfer books of the company will remain closed from 22nd September 2001 to 29th September 2001 (Both days inclusive).

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

Place: Guntur
Date: 30-05-2001

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the Ninth Annual Report together with the audited accounts for the year ended 31st March, 2001.

1. FINANCIAL RESULTS:

The financial results for the year ended 31st March, 2001 are summarised below:

PARTICULARS	2000 - 2001 (Rs. in Lacs)	1999-2000 (Rs. in Lacs)
Sales	**2558.60**	2825.82
Other income	**61.79**	41.04
Expenditure	**2074.58**	2376.23
Profit before Interest, Depreciation & Tax	**545.81**	490.63
Depreciation	**108.10**	99.79
Interest	**248.66**	263.90
Profit before tax	**189.05**	126.94
Provision for Income Tax	**15.00**	6.00
Profit after tax	**174.05**	120.94

2. REVIEW OF OPERATIONS:

The Company has reached the take-off stage during the year 2000-2001, and achieved a Net Profit growth of 43.91% over previous year even though there was a decrease in sales during the year by 10%. The increase in Profitability mainly due to the improvement in the existing production facilities.

The company successfully completed its "Value Addition" programme during the year by adding six more Combers and one more Auto Coner Machinery.

With the set-off facility of Purchase tax paid on purchase of the cotton within the State against sales tax on sale of yarn within/outside the State, the company has gained an amount of Rs. 46.65 Lacs.

The company was sanctioned Rs. 363 lacs of Term Loan under Project Finance Scheme by IREDA for 0.80 MW and Rs. 706 lacs Term loan sanctioned by the Andhra Bank for 1.60 MW. The Company has started the two Mini Hydel Power Projects at Nelakondapalli, Khammam District, during the current financial year and the company has spent an amount of Rs. 197.00 lacs so far, an amount of Rs. 62 lacs invested for acquisition of land and the balance in Civil and E & M Equipment.

3. FUTURE OUTLOOK:

The Company is planning to commission the Hydel Projects 0.80 MW and 1.60 MW by end of the financial year. Since the power produced by these projects will become capitative consumption and there will be savings in power cost, there by improving the bottom line of the company. There is great demand for doubled yarn, the company may install the TFO's to capture Europian Market, where the doubled yarn is in good demand.

4. EXPORTS:

The Export Market continues to be good and company had made export turnover during the past year. The same export turnover is expected to be maintained during the next year also.

5. DIRECTORS:

In accordance with the Articles of Association of your company Shri K. Nagi Reddy, Shri M. R. Naik and Shri M.V. Subba Reddy retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

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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 u/s 217 (10) (e) of the Companies Act, 1956 read together with the companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed herewith and forms part of this report.

7. PARTICULARS OF EMPLOYEES:

There were no employees coming under the purview of Section 217 (2A) of the Companies Act, 1956.

8. FIXED DEPOSITS:

Your company has not accepted any deposits from the public during the year under report.

9. AUDITORS:

M/s Brahmayya & Co., Chartered Accountants, Guntur, the Company's auditors retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

10. INTERNAL AUDIT:

The Company has a qualified Finance Manager (Chartered Accountant). The Company also employees an independent Accounts Officer to Internal Audit the Company, who reports directrly to the Whole Time Director, hence the Company did not go for external Audit firm for its Internal Audit.

11. CORPORATE GOVERNANCE:

Securities and Exchange Board of India (SEBI) has recently announced a code of Corporate Governance to be practiced by Corporates. Some of these provisions have been made mandatory through the listing agreement with the Stock Exchanges. Your company is required to comply with the mandatory provisions within the Financial Year 2002-2003, but not later March 31st, 2003. Your Board has initiated necessary action to ensure necessary Compliance by the end of the current financial year.

12. DIRECTORS RESPONSIBILITY STATEMENT:

As required under the Companies Act, 1956, Your Directors wish to state:

(a) That in the preparation of the annual accounts, the applicable Accounting standards had been followed along with proper explanation relating to material departures.

(b) That they have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review;

(c) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and

(d) That they have prepared the accounts for the year ended 31st March, 2001 on a 'going concern' basis.

13. 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.

12. ACKNOWLEDGEMENT:

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

For and on behalf of the Board of Directors

Place: Guntur
Date: 30-05-2001

K. HARANADHA REDDY
Managing Director

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ANNEXURE - I TO DIRECTORS REPORT:

Disclosure of particulars with respect to conservation of energy, Technology absorption and foreign exchange earnings and outgo as required under the companies (Disclosure of particulars in the Board of Director's Report) Rules, 1988.

A. CONSERVATION OF ENERGY:

Conservation of energy continues to be accorded high priority. Ongoing processes are continuously reviewed by our R & D team.

Form A: (Form for disclosure of particulars with respect to conservation of energy)

A) POWER AND FUEL CONSUMPTION

S.NO.	PARTICULARS	Current Year	Previous Year
1.	**ELECTRICITY**		
	a) Purchased Units (KWH)	**49,37,918**	45,99,997
	Total amount in Rs.	**2,00,56,365**	1,70,46,490
	Rate per unit in Rs.	**4.06**	3.74
	b) Own Generation		
	i) Through Diesel Generator Units	**32,72,745**	35,55,706
	Total Amount in Rs.	**1,26,63,393**	91,83,584
	Cost per unit Rs.	**3.87**	2.58
	ii) Through Steam Generation	---	---
2)	**COAL**	---	---
3)	**FURNACE OIL**	---	---
4)	**OTHER INTERNAL GENERATION**	---	---

B) CONSUMPTION PER UNIT OF PRODUCTION (No. of Units/Kg.)

1.	**Electricity**	**3.83**	2.95
2.	**Coal**	---	---
3.	**Furnace Oil**	---	---
4.	**Others**	---	---

B. TECHNOLOGY ABSORPTION:

Continuous efforts are being made towards technology absorption. Quality being the thrust area, the company has taken effective steps to continue to improve quality to compete with international quality standards.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year under review, the Company generated considerable foreign exchange earnings of Rs. 412.73 lacs by way of Exports. The foreign exchange utilised during the year amounted to Rs. 76.41 lacs towards purchase of Autoconer Machinery, Sales commission, and travelling expenses. Hence, positive inflow of foreign exchange amounted to Rs. 336.42 lacs.

ANNEXURE - II TO DIRECTORS REPORT:

AUDIT COMMITTEE

Terms of Reference and Composition, Chairman and the Name of Members

The Audit Committee comprises of Mr. N. Prabhakara Rao, Chairman of the Committee, Mr. M.R.Naik and Mr. K. Nagi Reddy all being Independent Directors. The Chairman & Managing Director, the Whole Time Director along with the Statutory Auditors and the Finance Manager are invitees to the meeting. The terms of reference of this Committee are wide enough covering matters specified for Audit Committees under the Listing Agreements.

Meetings and attendance during the year

There was one meeting of the Audit Committee during the financial year 2000-01 and the attendance of each member of the Committee is given below:

Name of the Director	No. of Meetings Attended	% of total Meetings Attended
Mr. M.R. Naik	1	100%
Mr. N. Prabhakara Rao	1	100%
Mr. K. Nagi Reddy	1	100%

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KALLAM SPINNING MILLS LTD.

AUDITORS' REPORT

TO THE SHARE HOLDERS OF KALLAM SPINNING MILLS LIMITED,

We have audited the attached Balance Sheet of KALLAM SPINNING MILLS LIMITED as at 31st March, 2001 and Profit and Loss Account for the year ended on that date annexed thereto and reports that:

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 dated 7th September, 1988 issued by the Company Law Board in terms of Section 227 (4-A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

2. Further to our comments in the Annexure referred to in paragraph 1 above:

   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b) Proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.

   c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of accounts.

   d) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report, comply with the accounting standards referred to in sub-section (3C) of Sction 211 of the Companies Act, 1956.

   e) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with notes and statement of accounting policies give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

      1) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 2001 and

      2) In so far as it relates to Profit and Loss Account of the Profit of the Company for the year ended on that date.

3. In our opinion and according to the information and explanations furnished to us, there are no Directors as at the date of the Balance Sheet, who are subject to disqualification in terms of Section 274 (1) (g) of the Companies Act, 1956.

For **BRAHMAYYA & CO.,**
Chartered Accountants
P.LAKSHMANA RAO
Partner

Place : Guntur
Date : 30-05-2001

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