



ANNUAL REPORT

2007-2008



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KALLAM SPINNING MILLS LIMITED

NH 5, CHOWDAVARAM, GUNTUR. AP - 522 019



Sri K. HARANADHA REDDY
Chairman



Sri P. VENKATESWARA REDDY
Managing Director



Sri G.V. KRISHNA REDDY
Joint Managing Director



Sri M.V. SUBBA REDDY
Whole Time Director



Sri M.R. NAIK
Director



Sri K. PRABHAKARA RAO
Director



Sri V.S.N. MURTHY
Nominee Director of IREDA



Sri A. KRISHNA MURTHY
Director



Sri S. PULLA RAO
Addl. Director



Sri A. RAJENDRA PRASAD
Addl. Director

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KALLAM SPINNING MILLS LTD.

COMPANY INFORMATION

BOARD OF DIRECTORS

Sri K. Haranadha Reddy, Chairman
 Sri P. Venkateswara Reddy, Managing Director
 Sri G.V. Krishna Reddy, Joint Managing Director
 Sri M.V.Subba Reddy, Whole Time Director
 Sri M.R.Naik, Director
 Sri N. Prabhakara Rao, Director
 Sri V.S.N. Murthy, Nominee Director of IREDA
 Sri A. Krishna Murthy, Director
 Sri S. Pulla Rao, Addl. Director
 Sri A. Rajendra Prasad Addl. Director

LISTED WITH

Bombay Stock Exchange Limited
 The Hyderabad Stock Exchange Ltd.,

BANKERS

Andhra Bank, Main Branch, Kothapet, Guntur - 522 001.
 Indian Bank, Main Branch, Guntur - 522 001.

AUDITORS

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

COST AUDITORS

P. Srinivas,
 Cost Accountant
 97/2rt, Vijaya Nagar Colony,
 Besides Masab Tank,
 Hyderabad - 500057.

REGISTERED OFFICE & FACTORY

N.H.5, Chowdavaram.
 Guntur - 522 019.
 Phones: 2512004, 2512005, 2512006.
 Fax : 0863 - 2512001
 E-mail : kallamsp@sancharnet.in

**REGISTRARS &
 SHARE TRANSFER AGENTS**

BIGSHARE SERVICES PVT. LTD.,
 G-10, Left Wing, Amruthaville,
 Opp. Yasodha Hospital, Rajbhavan Road,
 Somajiguda, HYDERABAD - 500082.
 Ph.: 040 - 23374967, Fax : 040-23370295.

KALLAM SPINNING MILLS LTD.**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of **KALLAM SPINNING MILLS LIMITED** will be held on Saturday the 20th day of September, 2008 at 3.00 P.M. at the Registered Office of the Company at NH-5, Chowdavaram, Guntur 522 019 to transact the following business.

Ordinary Business

1. To receive, consider and adopt the Profit and Loss Account for the financial year ended March, 31 2008 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors.
2. To declare dividend on equity shares
3. To appoint a Director in place of Sri M. R. Naik, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri N. Prabhakara Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. Brahmayya & Co., a firm of Chartered Accountants, as Statutory Auditors of the Company, for the period commencing from conclusion of this meeting till the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors.

Special Business

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.
 "RESOLVED THAT Shri SWARGAM PULLA RAO, who was appointed as an additional director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of the Director of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation."
7. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.
 "RESOLVED THAT Shri ATTILI RAJENDRA PRASAD, who was appointed as an additional director of the Company pursuant to Section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of the Director of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation."
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution
 "RESOLVED that in partial modification of Resolution No.6 passed at the Fifteenth Annual General Meeting of the company held on 10th September, 2007 and in accordance with the provisions of Sections 198, 268, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act, the company hereby approves of the revision in the perquisites and allowances payable to Mr. P. Venkateswara Reddy, Managing Director, with effect from 1st April 2008 for the remaining period of his tenure as set out in the Explanatory Statement annexed to the Notice convening this meeting."
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution
 "RESOLVED that in partial modification of Resolution No.7 passed at the Fifteenth Annual General Meeting of the company held on 10th September, 2007 and in accordance with the provisions of Sections 198, 268, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act, the company hereby approves of the revision in the perquisites and allowances payable to Mr. G.V. Krishna Reddy, Joint Managing Director, with effect from 1st April 2008 for the remaining period of his tenure as set out in the Explanatory Statement annexed to the Notice convening this meeting."

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

"RESOLVED that in partial modification of Resolution No.8 passed at the Fifteenth Annual General Meeting of the company held on 10th September, 2007 and in accordance with the provisions of Sections 198, 268, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the Act, the company hereby approves of the revision in the perquisites and allowances payable to Mr. M.V. Subba Reddy, Whole time Director, with effect from 1st April 2008 for the remaining period of his tenure as set out in the Explanatory Statement annexed to the Notice convening this meeting."

Place: Chowdavaram
Date: 28.06.2008

By order of the Board of Directors
P. Venkateswara Reddy
Managing Director

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 / herself and such proxy need not be Member. The proxy form is enclosed which should be deposited at the Registered Office of the Company duly completed and signed, not later than 48 hours before the commencement of the Meeting.
2. An explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of item no. 4 & 5 of the notice as set out above is annexed herewith.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 15th September 2008 to 20th September 2008 (both days inclusive).
4. The accounts, the reports and all other documents required under the law to be annexed thereto will be available for inspection during working hours at the Registered Office of the Company on any working day prior to the date of the Annual General Meeting.
5. Dividend recommended by Directors, if approved by the Members at the Annual General Meeting, will be paid on or after 25th September 2008 to those members whose names appear on the Register of Members as on 20th September 2008. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as at the close of 13th September 2008 as per the details furnished by National Securities Depository Limited/Central Depository Service (India) Limited for the purpose as on that date.
6. Members desiring to seek any information on the Annual Accounts to be explained at the meeting are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the meeting to make the required information.
7. Members holding shares in physical form are requested to notify/send the following to the Company's Registrar and Transfer Agent at: **Bigshare Services Private Limited, G-10, Left-Wing, Amrutha Ville, Opp: Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad 500 082** at the earliest not later than 13th September 2008.
 - any change in their address/mandate/Bank details; and
 - Particular of their Bank Account, in case the same has not been sent earlier.
8. Members holding shares in the electronic form are advised to inform change in address/bank mandate directly to their respective Depository Participants. The address/bank mandate as furnished to the Company by the receptive Depositories viz. NSDL and CDSL will be printed on the dividend warrant.

EXPLANATORY STATEMENT U/S 173 (2) OF THE COMPANIES ACT, 1956 & INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING RE-APPOINTMENT OF DIRECTORS

(Pursuant to Clause 49VI (A) of the Listing Agreement with the Stock Exchanges)

Item No.3

Sri M. R. Naik, aged about 67 years, is retired IAS Officer. He served the community in various capacities in Central and State Government organizations. He also served as a member in the Consumer Forums

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constituted by the Government of Andhra Pradesh. His knowledge and experience will be of great help to the management in complying with various governmental and other institutional rules, procedures and regulations.

Sri M. R. Naik is not a Director or member on any other company's Board/Committees. He is a member of Audit Committee and shareholders grievances committee constituted by the Company.

Item No. 4

Shri N. Prabhakara Rao, aged about 75 years, is an Electrical Engineer. He was retired as Superintendent Engineer of A.P.S.E.B, having served in various capacities and used to provide his valuable suggestions in areas of Electrical Engineering etc., in times of need.

Sri N. Prabhakara Rao is a Director in Janapadu Hydro Power Projects Private Limited. He is a member of Shareholders' / Investors' Grievance Committee and Audit Committee constituted by the Company.

Item No. 6

Mr. Swargam Pulla Rao, aged about 63 years, is a post graduate in Indian Revenue Service and graduate in law. He was joined in Ministry of Finance, Income Tax Department as Income Tax Officer and worked in various positions i.e. Asst. Commissioner, Deputy Commissioner and Joint Commissioner. He has retired as Joint Commissioner of Income Tax in June 2005, after rendering more than 30 years of service in various capacities.

Sri Swargam Pulla Rao is not a Director or member on any other company's Board/Committees.

Item No. 7

Mr. Attili Ragendra Prasad, aged about 62 years, is a graduate in Science. He was joined in Andhra Bank as a Clerk at Chennai in the year 1965 and promoted to officer cadre in 1974 and he was elevated to Branch Manager in the year 1975. He worked as Branch Manager of various important Branches across the country over a period of 30 years in various positions i.e. Asst. General Manager, Zonal Manager and Deputy General Manager. He was retired as Deputy General Manager after rendering more than 30 years of service in various capacities.

Item No. 8

Mr. P. Venkateswara Reddy was re-appointed as Managing director of the Company for a period of five years with effect from 29th June, 2007 on the terms and conditions as approved by the shareholders at the Annual General Meeting of the Company held on 10th September, 2007.

The Board of directors at its meeting held on 28th June 2008 has, pursuant to the recommendation of the Remuneration Committee, revised the perquisites and allowances payable to Mr. P. Venkateswara Reddy, Managing Director, as detailed below.

- i) Insurance premium: The Company agrees to bear Health Insurance premium for self and family of such amount determined for the sum assured of Rs. 5,00,000/- for each member.
- ii) The company also agrees to reimburse the additional Medical expenditure, if any, incurred in excess of the insurance claim.
- iii) The other terms and conditions as mentioned in the Resolution No. 6 of Fifteenth Annual General Meeting held on 10.09.2007 shall remain unchanged.

None of the Directors, except Mr. P. Venkateswara Reddy is concerned or interested in the resolution.

Item No. 9

Mr. G.V. Krishna Reddy was re-appointed as Joint Managing director of the Company for a period of five years with effect from 29th June, 2007 on the terms and conditions as approved by the shareholders at the Annual General Meeting of the Company held on 10th September, 2007.

The Board of directors at its meeting held on 28th June 2008 has, pursuant to the recommendation of the Remuneration Committee, revised the perquisites and allowances payable to Mr. G.V. Krishna Reddy, Joint Managing Director, as detailed below.

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- i) Insurance premium: The Company agrees to bear Health Insurance premium for self and family of such amount determined for the sum assured of Rs. 5,00,000/- for each member.
- ii) The company also agrees to reimburse the additional Medical expenditure, if any, incurred in excess of the insurance claim.
- iii) the other terms and conditions as mentioned in the Resolution No. 7 of Fifteenth Annual General Meeting held on 10.09.2007, shall remain unchanged.

None of the Directors, except Mr. G.V. Krishna Reddy is concerned or interested in the resolution.

Item No.10

Mr. M.V. Subba Reddy was re-appointed as Whole time director of the Company for a period of five years with effect from 1st July, 2007 on the terms and conditions as approved by the shareholders at the Annual General Meeting of the Company held on 10th September, 2007.

The Board of directors at its meeting held on 28th June 2008 has, pursuant to the recommendation of the Remuneration Committee, revised the perquisites and allowances payable to Mr. M.V. Subba Reddy; whole time Director, as detailed below.

- i) Insurance premium: The Company agrees to bear Health Insurance premium for self and family of such amount determined for the sum assured of Rs. 5,00,000/- for each member.
- ii) The company also agrees to reimburse the additional Medical expenditure, if any, incurred in excess of the insurance claim.
- iii) the other terms and conditions as mentioned in the Resolution No. 8 of Fifteenth Annual General Meeting held on 10.09.2007, shall remain unchanged.

None of the Directors, except Mr. M.V. Subba Reddy is concerned or interested in the resolution.

Place: Chowdavaram

Date: 28.06.2008

By order of the Board of Directors

P. Venkateswara Reddy

Managing Director

**DIRECTORS' REPORT
TO THE MEMBERS OF THE KALLAM SPINNING MILLS LIMITED,**

Your directors have pleasure in presenting the Sixteenth Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March 2008.

I. FINANCIAL RESULTS:

The financial results for the year ended 31st March 2008 are summarized below:

S.No.	Particulars	2007-2008 (Rs. in lacs)	2006-2007 (Rs.in lacs)
01	Sales	6036.98	4985.82
02	Other income	135.78	37.55
03	Increase in stock	60.38	107.56
04	Expenditure	4877.30	4098.24
05	Profit before Interest, Depreciation & Tax	1355.83	1032.69
06	Depreciation	365.08	279.46
07	Interest	477.34	286.53
08	Profit before tax	513.41	466.70
09	Provision for income tax		
	i) Current Year Tax	62.00	56.25
	ii) Fringe Benefit Tax	1.10	0.00
	iii) Deferred Tax	139.31	245.94
10	Profit after tax	311.00	164.51
11	Earning per share	5.39	3.15

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Transfers & appropriations from the profit are as detailed below:

12	Net Profit after tax	369.64	215.81
13	Excess / Short provision made for Income tax in earlier years	0.64	1.70
14	Tax credited under MAT	58.00	53.00
15	Balance brought forward from previous year	920.49	806.86
16	Profit for appropriations	1290.13	1022.67

APPROPRIATIONS

17	Transfer to General Reserve	10.00	6.00
18	Proposed Equity Dividend	82.21	82.21
19	Tax on Proposed Equity Dividend	13.97	13.97
20	Balance carried forward	1183.95	920.49

The Sales of the company for the period under review increased to Rs.6036.98 Lakhs as compared to previous year sales of Rs.4985.82 registering a growth of 21 percent on annualized basis. The profit before interest and taxes of the company has grown by 149 percent on annualized basis from Rs 753.23 lakhs in previous year to Rs. 1125.58 lakhs in the period under review.

II.DIVIDEND:

In view of the company's profitable performance, Your Directors are pleased to recommend for approval of shareholders a Final Dividend of 12%(Re1.20 paise per share) on 68, 51,100 Equity shares of the company in respect of the financial year 2007-2008. The final Dividend, if declared as above, would involve an outflow of Rs 82.21, Lakhs towards Dividend and Rs13.97 lakhs towards Dividend Tax resulting outflow of Rs 96.18 Lakhs.

The paid up capital of your company remained unchanged at Rs 685.11 lakhs. Earning per share was Rs 5.40 and cash per earning share was Rs 10.72.

III.EXPANSION & MODERNISATION:

During the period under review, your company is operating 44712 spindles and spindles of 5520 will be added before 30th September, 2008. The Company also added 3 no's TFO's and 2 nos Auto Cone winders in post spinning department. The Company is planning to add further preparatory balancing Machinery during the current financial year. The civil work for the Open Ended plant is in progress, the company had placed order for pre Engineered building for Open Ended plant with Zamil Steel Buildings India Private Limited. Zamil Steel India Private Limited had delivered all the material and erection work had commenced.

The Machinery orders for Open Ended plant is being finalized and LC's are being established, your company intends to put up latest machinery for the Open Ended Plant in the first phase 3Nos OE Machines with 400 rotors each will be installed and commissioned by 31st March 2009.

IV.FINANCE:

The Company had planned Ginning plant as back ward integration, the promoters has 40 years of experience in Ginning. Term loan of Rs.995 lakhs in principal was sanctioned by Indian Bank for Ginning plant and balancing Machinery of spinning Mill.

V.FIXED DEPOSITS:

Your company has not accepted any public deposits from the public, except some of the unsecured loans brought by promoter Directors and their relatives and as such no amount on account of principal or interest on public deposits was outstanding on the date of the Balance Sheet.

VI.FUTURE OUTLOOK:

The Open Ended plant will be commenced during the current Financial Year. The Company is planning to complete ginning plant before commencement of the cotton season.

VII.DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company Mr.N.Prabhakara Rao and Mr. M.R.Naik will retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

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Mr.A.Rjendra Prasad and Mr.S.Pulla Rao were co opted as Additional Directors with effect from 28th June 2008 in the Board Meeting. They shall hold the office upto this Annual General Meeting. Your company is in receipt of individual notices under section 297 of the Companies act 1956 for their appointments as Director of the company. The Board recommends the above appointments/reappointments of Directors in the best interest of the company.

None of the Directors of the Company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

VIII. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgoings as required to be disclosed in terms of 217(1) (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.

IX. PARTICULARS OF EMPLOYEES:

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

X. AUDITORS:

The Statutory Auditors M/s. Brahmayya & Co., Chartered Accountants, Guntur, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office. Your Directors propose the reappointment of M/s Brahmayya & Co., as Statutory Auditors to hold office until the conclusion of the next Annual General Meeting of the Company.

XI. COST AUDITORS:

Pursuant to the provisions of the Section 233B of the Companies Act, 1956, the Board of Directors of your Company have re-appointed, subject to the approval of the Central Government Mr.P.Srinivas Cost Accountant, to carry out an audit of Cost accounts of the Company in respect of Textiles for accounting year ending March 31ST March 2008.

XII. CORPORATE GOVERNANCE:

Your Directors are pleased to inform that your Company has implemented all the stipulations prescribed under clause 49 of listing agreement with the stock exchange(s). A Certificate from the Statutory Auditors of the Company in line with Clause 49 is annexed to and forms part of the Directors Report.

XIII REGISTRAR'S AND SHARE TRANSFER AGENTS

Your Registrar and Share Transfer Agents of the Company M/s Big share Services Private Limited, G-10, Left-wing Amrutha Ville, Opp, Yashoda Hospital, Raja Bhavan Road Somagiguda Hyderabad 500082.

XIV. INSURANCE:

Adequate Insurance cover has been taken for the properties of the Company including Building, Plant & Machinery and Stocks. The arbitrators appointed has been given its order awarding an amount of Rs 123.33 Lakhs as against the balance claim of Rs 151.81 Lakhs. Accordingly the Insurance Company had paid the amount on dt 22nd January 2008.

XV. CASH FLOW ANALYSIS:

In conformity with the provisions of Clause 32 of the Listing agreement the Cash Flow Statement for the year ended 31.03.2008 is annexed hereto.

XVI. DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 your Directors state that:

- (a) in the preparation of the annual accounts, the applicable Accounting standards have been followed, In the opinion of the Board of Directors, along with proper explanations for material departures if any;
- (b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit or loss of the Company for that period.