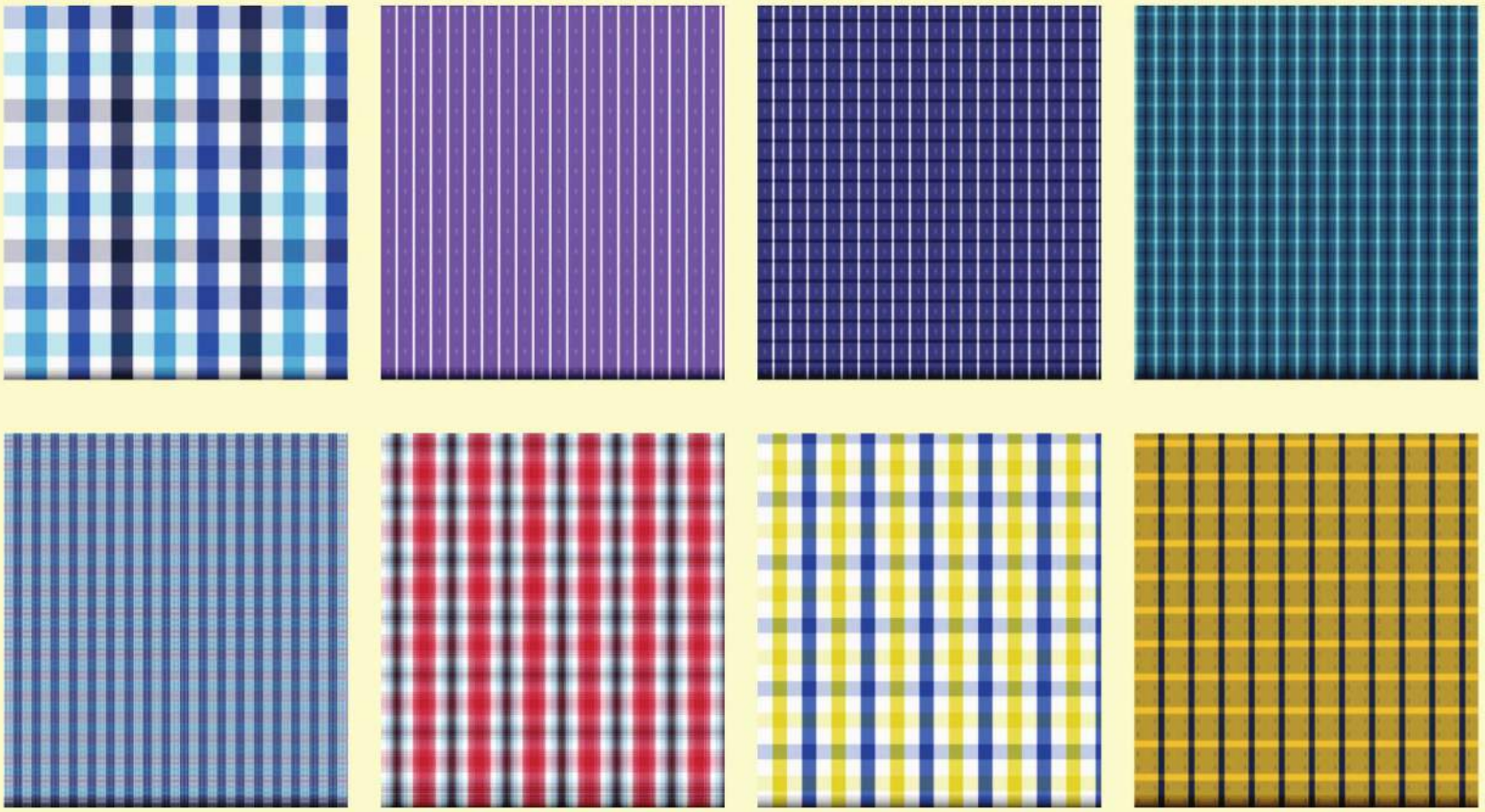
23rd Annual Report - 2014-15

Excelling with Spinning, Yarn Dyeing and Weaving



KALLAM

KALLAM SPINNING MILLS LIMITED

NH-5, Chowdavaram, Guntur-522019, A.P., INDIA.

CONTENTS

S.No.	Contents	Page No.
1	Company Information	3
2	Directors Details	4
3	Notice to Shareholders	5 - 8
4	E-Voting Instructions	9 -10
5	Director's Report and Annexures	11 - 57
6	Managing Director & Chief Financial Officer Certificate	58
7	Independent Auditor's Report	59 - 61
8	Balance Sheet	62
9	Statement of Profit & Loss	63
10	Cash Flow Statement	64
11	Statement on Accounting Policies	65 - 66
12	Notes on Accounts	67 -86
13	E-Mail Registration Form	88
14	Proxy Form	89
15	Financial Highlights	90 - 91

COMPANY INFORMATION

Board of Directors	:	**Sri P.Venkateswara Reddy,** Chairman of the Board of Directors and Managing Director **Sri G.V. Krishna Reddy,** Joint Managing Director **Sri M.V. Subba Reddy,** Whole Time Director **Sri V.S.N Murthy,** Nominee Director of IREDA **Sri M.R. Naik,** Independent Director **Sri A. Krishna Murthy,** Independent Director **Sri S. Pulla Rao,** Independent Director **Smt V.Bhargavi,** Independent Director
Listed With	:	**Bombay Stock Exchange Limited**
Bankers	:	**Andhra Bank,** Main Branch, Kothapet, Guntur-522001. **Indian Bank,** Main Branch, Naaz Centre, Guntur-522001 **Bank of Baroda,** Guntur Branch, Near Hindu College, Guntur-522001
Statutory Auditors	:	**M/s. Brahmayya & Co.,** Chartered Accountants, 10-3-21, Sambasivapet, Guntur-522001
Cost Auditor	:	**P.Srinivas,** Cost Accountant 97/2 RT Vijaya Nagar Colony, Besides Masab Tank, Hyderabad-500 057
Secretarial Auditors	:	**K.Srinivasa Rao & Co.,** Company Secretaries, Guntur – 522002
Registered office of the Company	:	N.H.5, Chowdavaram, Guntur-522019 Phones: 0863-2344010, 2344016 Fax: 0863-2344000 **E-mail: corp@ksml.in**
Registrars & Share Transfer Agents	:	**Big share Services Pvt. Ltd.,** 306, 3rd Floor, Right Wing, Amrutha Ville, Opp. Yashodha Hospital,Raj Bhavan Road, Somajiguda, Hyderabad – 500 082. Ph No.040-23374967, Fax No.040-23370295. E-mail : bsshyd@bigshareonline.com

TEAM WORK



(From Left to Right)

Sri A.Krishna Murthy
(Independent Director)
(DIN : 00018725)

Sri M.R.Naik
(Independent Director)
(DIN : 01628537)

Sri S.Pulla Rao
(Independent Director)
(DIN: 02360239)

Sri V.S.N Murthy
(Nominee Director, IREDA)
(DIN: 00021952)

Smt. V.Bhargavi
(Independent Director)
(DIN: 06950741)

Sri P. Venkateswara Reddy
(Managing Director)
(DIN: 00018677)

Sri G.V.Krishna Reddy
(Joint Managing Director)
(DIN: 00018713)

Sri M.V.Subba Reddy
(Whole Time Director)
(DIN: 00018719)

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty-Third Annual General Meeting of the members of KALLAM SPINNING MILLS LTD will be held on Saturday, 26th September, 2015 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 Audited Statement of Profit and Loss for the year ended March 31, 2015 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the financial year 2014-15.
3. To appoint a Director in place of Sri P. Venkateswara Reddy (DIN- 00018677) who retires by rotation and being eligible, offers himself for re-appointment.
4. Ratification of the appointment of M/s. Brahmayya & Co. Statutory Auditors (F.Reg.No.000513S) and to fix their remuneration for the financial year ending 31st March, 2016.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution: (The Cost Auditor's Remuneration)

   "RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made there under, the remuneration payable to P. Srinivas, Cost Accountant (Membership No. 21170), appointed by the Board of Directors as Cost Auditor to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2016, amounting to Rs. 30,000/- (Rupees Thirty Thousand only) as also the payment of service tax as applicable and re-imbursement of out of pocket expenses incurred in connection with the aforesaid audit, be and is hereby ratified and confirmed."

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution: (Appointment of Sri. P.Venkateswara Reddy (DIN: 00018677) as a Managing Director)

   "RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), consent of the members of the company be and is hereby accorded to the appointment of Sri. P.Venkateswara Reddy (DIN: 00018677) as a Managing Director of the Company, for a period of 3 (Three) years with effect from 29th June, 2015 to 28th June, 2018, on such remuneration, terms and conditions as may be agreed between the Board of Directors and Sri P. Venkateswara Reddy".

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution: (Appointment of Sri. G.V.Krishna Reddy (DIN: 00018713) as a Joint Managing Director).

   "RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), consent of the members of the company be and is hereby accorded to the appointment of Sri. G.V.Krishna Reddy (DIN: 00018713) as a Joint Managing Director of the Company, for a period of 3 (Three) years with effect from 29th June, 2015 to 28th June, 2018, on such remuneration and terms and conditions as may be agreed between the Board of Directors and Sri G.V. Krishna Reddy".

Place : Chowdavaram
Date : 14-08-2015

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. Members are requested to bring their attendance slip along with the copy of Annual Reports at the meeting.

3. The Explanatory Statement pursuant to under section 102 of the Companies Act, 2013, in respect of special business is annexed hereto.

4. The Register of Members and Share Transfer Books of the Company will remain closed from 21st September, 2015 to 26th September, 2015 (both days inclusive).

5. 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.

6. Dividend recommended by Directors, if approved by the members at the Annual General Meeting will be paid on or after 1st October, 2015 to those members whose names appear on the register of members as on 18th September, 2015. In respect of shares held in electronic form the dividend will be payable on the basis of beneficial ownership as at the close of 18th September, 2015 as per the details furnished by National Securities Depository limited/Central Depository service (India) Limited for the purpose as on that date.

7. 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 of the Company so as to reach at least 7 days before the date of the meeting to provide the required information.

8. 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, 306, 3rd Floor, Right Wing, Amrutha Ville, Opp. Yashodha Hospital, Raj Bhavan Road, Somajiguda, Hyderabad – 500 082 at the earliest not later than 18-09-2015.

   - Any change in their address/mandate/Bank details; and

   - Particular of their Bank Account, in case the same has not been sent earlier.

9. 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.

10. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. In view thereof, members who have not furnished PAN are requested to furnish the same as under :

    • Members holding shares in Physical form are submit their PAN details to the Registrar and Transfer Agents

    • Members holding shares in Electronic form are submit their PAN details to their Depository Participants with whom they are maintaining their demat accounts.

11. Shareholders should note that as per statutory provisions, if the dividend amount remains unpaid/unclaimed for period of 7 years from the due date, the said unpaid/unclaimed amount will be transferred to Investor Education & Protection Fund (IEPF) set up by Central Government. As such unpaid / unclaimed amount in Dividend Accounts for the F.Y 2007-2008 has been transferred to IEPF. Shareholders who have not received / claimed the said dividend are requested to claim the same before due date. Members who have not encashed their dividend warrants are requested to write to the Registrars & Share Transfer Agents.

12. As a part of "green initiative in the corporate governance", the ministry of corporate affairs vide its circular no's.17/2011 and 1/2011 dated 21.04.2011 respectively, has permitted the companies to serve the documents, namely, notice of the general meeting, balance sheet, profit and loss account, auditors' report, directors' report, etc. to the members through E-mail. The shareholders holding shares in physical form are requested to register their E-mail address with the Registrar and share transfer agents (Big Share Services Pvt. Ltd.,) by sending duly signed requested letter quoting their Registered folio no., name, address and E-mail ID to be registered in the **E-MAIL REGISTRATION FORM,** which is attached in this Report in **Page No: 88** and in case of shares held in demat form, the shareholders may register their E-mail addresses with their DPs (Depository Participants).

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102(1) OF THE COMPANIES ACT, 2013

ITEM NO. 5

The Board of Directors of the Company, on the recommendation of the Audit Committee, approved the appointment and remuneration of Mr. P. Srinivas, Cost Accountant (Membership No. 21170), Hyderabad, to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2016. In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14(a)(ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is required to be ratified by the Members of the Company. Accordingly, consent of the Members is sought to ratify the remuneration payable to the Cost Auditors.

None of the Directors or Key Managerial Personnel and their relatives, are concerned or interested (financially or otherwise) in this Resolution.

The Board commends the Ordinary Resolution set out at Item No. 5 for the approval of Members.

ITEM NO. 6

Pursuant to Section 269 and other applicable provisions of Companies Act, 1956 read with Schedule XIII to the said act, the shareholders at their 20th Annual General Meeting held on 22nd September, 2012 appointed Sri P. Venkateswara Reddy as a Managing Director for a period of Three years with effect from 29th June, 2012. The Term of his appointment would come to an end on 28th June, 2015. It is necessary to Re-appointment him for another period of Three years. Hence the Board at their meeting held on 30-05-2015 decides to Re-appoint him as a Managing Director for another period of Three years on the recommendations of the Remuneration Committee.

Pursuant to Section 196, 197, 203 and other applicable provisions, if any, of Companies Act, 2013 read with Schedule V to the said act and Subject to the approval of the shareholders in Annual General Meeting, Sri P.Venkateswara Reddy be proposed to re-appoint as a Managing Director of the Company for a period of Three years with effect from and including 29th June, 2015 on such remuneration as per the details given below:

I. REMUNERATION:

a) Salary : Rs. 2,00,000/- p.m

b) Commission : Commission is payable at 1% on profits computed under section 198 of the Companies Act, 2013.

c) Perquisites : Unfurnished accommodation facility at Guntur city.

d) Car : The Company shall provide a car.

e) Telephone : The Company shall provide a telephone at residence and further agrees to provide one mobile phone.

f) Health and Accidental insurance premium: The Company agrees to bear the Health Insurance premium for self and family for a value of Rs 10 Lakhs per person.
Accidental Insurance premium will be paid for self covering a risk of Rs One Crore and beneficiary being the Spouse.

g) The medical expenses incurred and not reimbursed by Health insurance company, to be reimbursed for self and family all together to a limit of one month's salary in a year or three months salary over a period of three years.

h) The Company also agrees to reimburse, with the approval of the Board, the additional Medical expenses, if any, incurred in excess of the expenses not covered by point (g).

i) Club Fees: The Company agrees to pay annual subscription to a club/Health centre/Gym. Life time membership/Lumpsum deposit will not be covered in the above.

j) Payment of Gratuity at the end of the tenure shall not exceed 15 days salary for each completed year of continuous service rendered in the company or at the rate as may be notified by the government from time to time.

k) Reimbursement of leave travel concession with in india or abroad for self and family once in a year subject to a maximum of one month salary.

II. MINIMUM REMUNERATION :

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. P. Venkateswara Reddy, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, incentive, remuneration, benefits, perquisites and allowances as specified above.

ITEM NO. 7

Pursuant to Section 269 and other applicable provisions of Companies Act, 1956 read with Schedule XIII to the said act, the shareholders at their 20th Annual General Meeting held on 22nd September, 2012 appointed Sri G.V. Krishna Reddy as a Joint Managing Director for a period of Three years with effect from 29th June, 2012. The Term of his appointment would come to an end on 28th June, 2015. It is necessary to Re-appointment him for another period of Three years. Hence the Board at their meeting held on 30-05-2015 decides to Re-appoint him as a Joint Managing Director for another period of Three years on the recommendations of the Remuneration Committee.

Pursuant to Section 196, 197, 203 and other applicable provisions, if any, of Companies Act, 2013 read with Schedule V to the said act and Subject to the approval of the shareholders in Annual General Meeting, Sri G.V. Krishna Reddy be proposed to re-appoint as a Joint Managing Director of the Company for a period of Three years with effect from and including 29th June, 2015 on such remuneration as per the details given below:

I. REMUNERATION:

a) Salary : Rs. 2,00,000/- p.m

b) Commission : Commission is payable at 1% on profits computed under section 198 of the Companies Act, 2013.

c) Perquisites : Unfurnished accommodation facility at Guntur city.

d) Car : The Company shall provide a car.

e) Telephone : The Company shall provide a telephone at residence and further agrees to provide one mobile phone.

f) Health and Accidental insurance premium: The Company agrees to bear the Health Insurance premium for self and family for a value of Rs 10 Lakhs per person.
Accidental Insurance premium will be paid for self covering a risk of Rs One Crore and beneficiary being the Spouse.

g) The medical expenses incurred and not reimbursed by Health insurance company, to be reimbursed for self and family all together to a limit of one month's salary in a year or three months salary over a period of three years.

h) The Company also agrees to reimburse, with the approval of the Board, the additional Medical expenses, if any, incurred in excess of the expenses not covered by point (g).

i) Club Fees: The Company agrees to pay annual subscription to a club/Health centre/Gym. Life time membership/Lumpsum deposit will not be covered in the above.

j) Payment of Gratuity at the end of the tenure shall not exceed 15 days salary for each completed year of continuous service rendered in the company or at the rate as may be notified by the government from time to time.

k) Reimbursement of leave travel concession with in india or abroad for self and family once in a year subject to a maximum of one month salary.

II. MINIMUM REMUNERATION :

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. G.V Krishna Reddy, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, incentive, remuneration, benefits, perquisites and allowances as specified above.

Place : Chowdavaram
Date : 14.08.2015

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



e-voting instructions

Pursuant to the Provisions of Section 108 of the Companies Act, 2013 and Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility to the members to cast their votes electronically on all resolutions set forth in the Notice convening the 23rd Annual General Meeting to be held on Saturday, 26th September, 2015, at 03.00 PM IST. The Company has engaged the services of Central Depository Services Limited (CDSL) to provide the E-Voting facility.

The instructions for Shareholders voting electronically are as under :-

The E-Voting Event Number and period of E-voting are set out below :

EVSN (E-VOTING SEQUENCE NUMBER)	:	150804010
COMMENCEMENT OF E-VOTING	:	23rd September 2015 at 9.00 A.M
END OF E-VOTING	:	25th September 2015 at 5.00 P.M

STEPS & INSTRUCTIONS FOR E-VOTING :

THE INSTRUCTIONS FOR SHAREHOLDERS VOTING ELECTRONICALLY ARE AS UNDER:

(i) The voting period begins on 23rd September, 2015 at 09.00 A.M and ends on 25th September, 2015 at 05.00 P.M. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 18th September, 2015 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(ii) The shareholders should log on to the e-voting website www.evotingindia.com.

(iii) Click on Shareholders.

(iv) Now Enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(v) Next enter the Image Verification as displayed and Click on Login.

(vi) If you are holding shares in demat form and had logged on to **www.evotingindia.com** and voted on an earlier voting of any company, then your existing password is to be used.

(vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

viii) After entering these details appropriately, click on "SUBMIT" tab.

ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential..

x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.

(xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

(xx) M/s. K. Srinivasa Rao & Co., Company Secretaries, Guntur (Entity ID : 34721) has been appointed as the Scrutinizer to Scrutinize the e-voting process in a fair and transprant manner.

