



KALLAM SPINNING MILLS LIMITED

CHOWDAVARAM, GUNTUR - 522 019. A.P. INDIA.



" 25 Years of Commitment to the Excellence in Quality"

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COMPANY INFORMATION

BOARD OF DIRECTORS

Managing Director

Sri P.Venkateswara Reddy

Joint Managing Director

Sri G.V. Krishna Reddy

Whole Time Director

Sri M.V. Subba Reddy

Nominee Director

Sri V.S.N Murthy

Independent Director

Sri M.R. Naik

Independent Director

Sri S. Pulla Rao

Independent Director

Sri A. Krishna Murthy

Independent Director

Smt V.Bhargavi

Listed With	:	Bombay Stock Exchange Ltd
Registered office of the Company	:	Chowdavaram, Guntur-522019 Phones: 0863-2344010, 2344016 Fax: 0863-2344000
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 13/2, Arundelpet, Guntur - 522002
Internal Auditors	:	M/s Mastanaiah & Co., Chartered Accountants, 11/1, Arundelpet, Guntur - 522002
Bankers	:	Andhra Bank, Main Branch, Guntur-522001 Indian Bank, Main Branch, Guntur-522001 Bank of Baroda, Near Hindu College, Guntur-522001
Registrars & Share Transfer Agents	:	Big share Services Pvt. Ltd 306, 3 rd Floor, Right Wing, Amrutha Ville, Opp. Yashodha Hospital, Raj Bhavan Road, Somajiguda, Hyderabad - 500 082. Ph No.040-23374967 E-mail : bsshyd@bigshareonline.com
E-mail	:	corp@ksml.in
Website	:	www.ksml.in



(From Left to Right)

Directors Details

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

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

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

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

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

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

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

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

KALLAM SPINNING MILLS LIMITED DIRECTORS' REPORT

TO THE MEMBERS OF THE KALLAM SPINNING MILLS LIMITED,
Your directors are pleased to present the Twenty-Fifth Annual Report of the Company together with the Audited Financial Statements for the year ended 31st March 2017.

1. CORPORATE OVERVIEW :

Kallam Spinning Mills Limited ("Your Company") is a leading Textile Company. The Group has its corporate office at Chowdavaram, Guntur - 522019, Andhra Pradesh.

2. FINANCIAL RESULTS :

The financial results for the year ended 31st March 2017 are summarized below :

Particulars	2016-2017 (₹ in Lakhs)	2015-2016 (₹ in Lakhs)
Net Sales	28,682.78	26,913.86
Other income	1,041.23	696.68
Operating Profit (EBIDTA)	5,668.37	5,187.71
Depreciation	(1,360.90)	(1,294.07)
Interest	(2,198.67)	(2,829.82)
Earnings Before Tax (EBT)	2,108.80	1,063.82
Provision for income tax :		
i) Current year Tax	500.00	230.00
ii) Deferred Tax	339.01	242.46
Earnings after tax (EAT)	1,269.79	591.36
Earnings per share (EPS)	3.71	1.73

3. FINANCIAL PERFORMANCE :

The Turnover of the company for the period under review increase to ₹ 28,682.78 Lakhs as compared to ₹ 26,913.86 Lakhs registering a growth of 6.57% on annualized basis. The profit before interest and taxes of the company has increased by 10.63% on annualized basis from ₹ 3,893.64 Lakhs in previous year to ₹ 4,307.47 Lakhs in the period under review.

4. EXTRACT OF THE ANNUAL RETURN:

The details forming part of the extract of the Annual Return as on 31st March, 2017 in Form MGT - 9 in accordance with Section 92(3) of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014, are set out herewith as **Annexure [A]** to this report.

5. DIVIDEND AND RESERVES:

Your Directors are pleased to recommend a dividend of 10% i.e. ₹ 0.20 per equity share of face value of ₹ 2/- each aggregating to ₹ 68.511 Lakhs. During the year under review, no amount from profit was transferred to General Reserve.

The paid up share capital of the company remained unchanged at ₹ 685.11 Lakhs. Earnings per share were ₹ 3.71

6. CORPORATE GOVERNANCE:

As per Regulation 34 (3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate section on corporate governance practices followed by the Company, together with a certificate from the Company's Statutory Auditors confirming compliance forms an integral part of this Report.

7. SUB-DIVISION OF EQUITY SHARES :

In order to improve the liquidity of your Company's shares and with a view to encourage the participation of small investors by making Equity Shares of the Company affordable, your Company sub-divided the Equity



Shares of the Face Value of ₹ 10/- each to Face Value of ₹ 2/- each w.e.f. 03rd February, 2017 ("Record Date"). Accordingly, 68,51,100 Equity Shares of ₹ 10/- each were sub-divided into 3,42,55,500 Equity Shares of ₹ 2/- each. There was no change in the total issued, subscribed and paid up share capital of the Company.

8. POSTAL BALLOT :

The Board of Directors had sought approval of the Shareholders of the Company by Postal Ballot process pursuant to the provisions of Sections 108 & 110 of the Companies Act, 2013 read with Rule 20 & 22 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) in respect of the Special and Ordinary Resolutions set out in the Postal Ballot Notice dated 30th November, 2016. The detailed voting results are given in the 'Report on Corporate Governance' forming part of this Annual Report.

9. NUMBER OF MEETINGS HELD OF THE BOARD:

During the year, Six Board Meetings were held, with a gap between not exceeding the period of 120 days as prescribed under the Act. Details of the Board and Board Committee meetings held during the year are given in the Corporate Governance Report.

10. PUBLIC DEPOSITS :

During the year under review, your Company has not accepted any deposit within the meaning of Sections 73 and 74 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 (including any statutory modification(s) or re-enactment(s) for the time being in force).

11. DIRECTORS AND KEY MANAGERIAL PERSONNEL :

Retirement by rotation and subsequent re-appointment :

Sri P.Venkateswara Reddy, Managing Director retire by rotation at the ensuing AGM pursuant to the provisions of Section 152 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Articles of Association of your Company and being eligible has offered himself for re-appointment. Appropriate resolution for his re-appointment is being placed for your approval at the ensuing AGM.

The Independent Directors of your Company hold office upto 26th September, 2019 and are not liable to retire by rotation.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16 (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board, at its meeting held on 26th August, 2017 appointed Mr. Ajeya Kallam (DIN : 00278595) as an Additional (Independent) Director of the company with effect from 29th September 2017, subject to approval of Shareholders at the ensuing Annual General Meeting and he is not liable to retire by rotation in terms of Section 149(4), (10) & (11) and 152(6)(e) of the Companies Act, 2013.

The Board, at its meeting held on 26th August, 2017 appointed Mr. V.Ramgopal (DIN : 02889497) as an Additional (Independent) Director of the company with effect from 29th September 2017, subject to approval of Shareholders at the ensuing Annual General Meeting and he is not liable to retire by rotation in terms of Section 149(4), (10) & (11) and 152(6)(e) of the Companies Act, 2013.

During the year under review, there is no change in the Board of Directors of the Company.

Disclosure Relating to Remuneration of Directors, Key Managerial Personnel and particulars of Employees :

The remuneration paid to the Directors is in accordance with the Nomination and Remuneration Policy formulated in accordance with Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations (including any statutory modification(s) or re-enactment(s) for the time being in force). The salient aspects covered in the Nomination and Remuneration Policy has been outlined in the Corporate Governance Report which forms part of this report.

The information required under Section 197 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of Directors/ employees of your Company is set out in **Annexure [B]** to this report

Directors Responsibility Statement:

Pursuant to Section 134(3)(c) of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) for the time being in force), the Directors of your Company confirm that:

- (a) in the preparation of the annual accounts for the financial year ended 31st March, 2017, the applicable Accounting Standards and Schedule III of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) for the time being in force), have been followed and there are no material departures from the same;
- (b) for the financial year ended 31st March, 2017, 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 your Company as at 31st March, 2017 and of the profit and loss of the Company for the financial year ended 31st March, 2017;
- (c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) for the time being in force) for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts have been prepared on a 'going concern' basis;
- (e) proper internal financial controls laid down by the Directors were followed by your Company and that such internal financial controls are adequate and operating effectively; and
- (f) proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

12. MANAGEMENT DISCUSSION AND ANALYSIS :

The Management Discussion and Analysis forms an integral part of **Annexure [C]** to this report and gives details of the overall industry structure, economic developments, performance and state of affairs of your Company's various businesses viz., Textiles and power business, internal controls and their adequacy, risk management systems and other material developments during the financial year 2016-17.

13. A STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS :

During the year under review, one meeting of Independent Directors was held on 10th November, 2016 in compliance with the requirements of Schedule IV of the Companies Act, 2013.

All the Independent Directors of the Company have declared that they meet the criteria of Independence in terms of Section 149(6) of the Companies Act, 2013 and that there is no change in status of Independence.

14. EVALUATION OF BOARD'S PERFORMANCE:

Pursuant to the provisions of the Companies Act, 2013 read with the Rules issued thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory modification(s) or re-enactment(s) for the time being in force), the process for evaluation of the annual performance of the Directors/ Board/ Committees was carried out. The criteria applied in the evaluation process are detailed in the Corporate Governance Report which forms part of this report.

15. COMMITTEES OF THE BOARD:

The Board of Directors has the following Committees:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders' Relationship Committee
4. Corporate Social Responsibility Committee.
5. Share Transfer Committee

The details of the Committees along with their composition, number of meetings and attendance at the meetings are provided in the Corporate Governance Report.

16. STATUTORY AUDITORS AND AUDITORS' REPORT :

M/s. Brahmayya & Co., Chartered Accountants, (Firm Reg No: 000513S), had given notice expressing their desire to retire as auditors of the Company at the ensuing annual general meeting, in order to enable the Company to comply with the provisions of the Companies Act, 2013 governing rotation of auditors. The Board of Directors wishes to place on record their sincere appreciation of the services of the statutory auditors especially in terms of ensuring timely completion and the quality of audit.

M/s. Chevuturi Associates., Chartered Accountants (Firm Reg No : 000632S), Vijayawada, had given their consent, if appointed, to hold office as the statutory auditors for a term of five (5) years from the conclusion

of this 25th Annual General Meeting till the conclusion of 30th Annual General Meeting. The said firm has confirmed their eligibility under Sections 139 and 141 of the Companies Act, 2013 and rules framed there under for their appointment as the statutory auditors of the Company.

The Audit Committee considered, recommended and the Board of Directors propose the appointment of M/s. Chevuturi Associates., Chartered Accountants (Firm Reg No : 000632S), Vijayawada, as the statutory auditors of the Company. Necessary resolution is being placed before the members for their approval.

17. COST AUDITOR:

As per the requirement of Central Government and pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, your Company has been carrying out audit of cost records relating to Textile and Power Divisions every year. The Board of Directors of your Company, on the recommendations made by the Audit Committee at its meeting held on 27th May, 2017 has approved the appointment of Mr. P.Srinivas, Cost Accountant, (Membership No. 21170) as the Cost Auditor of your Company to conduct the audit of cost records for the financial year 2017-18. Your Company has received consent from Mr. P.Srinivas, Cost Accountant, to act as the Cost Auditor for conducting audit of the cost records for the financial year 2017-18. As required under the Companies Act, 2013, a resolution seeking member's approval for the remuneration payable to the Cost Auditor forms part of the Notice convening the Annual General Meeting for their ratification.

18. SECRETARIAL AUDITORS:

In terms of Section 204 of the Companies Act, 2013, read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Board of Directors of your Company at its meeting held on 27th May, 2017 has appointed M/s. K. Srinivasa Rao & Co, a firm of Company Secretaries in Practice, Guntur (C.P.No: 5178) as Secretarial Auditors to conduct an audit of the secretarial records, for the financial year 2017-18. Your Company has received consent from M/s.K.Srinivasa Rao & Co, to act as the auditor for conducting audit of the Secretarial records for the financial year ending 31st March, 2018. The Secretarial Audit Report for the financial year ended 31st March, 2017 is annexed herewith as **Annexure [D]** to this report. The Board has made utmost effort for appointment of the Company Secretary as KMP but unable to appoint a Company Secretary due to lack of suitability of the Candidate to the profile of the Company in terms of work location, job profile and remuneration.

19. RELATED PARTY TRANSACTIONS:

During the financial year 2016-17, your Company has entered into transactions with related parties as defined under Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definitions Details) Rules, 2014, all of which were in the ordinary course of business and on arm's length basis and in accordance with the provisions of Section 188 of the Companies Act, 2013, read with the Rules issued thereunder and the Listing Regulations. Further, there were no transactions with related parties which qualify as material transactions under the Listing Regulations. All Related Party Transactions are placed before the Audit Committee as also to the Board for approval. Prior omnibus approvals are granted by the Audit Committee for related party transactions which are of repetitive nature, entered in the ordinary course of business and are on arm's length basis in accordance with the provisions of Companies Act, 2013 read with the Rules issued thereunder and the Listing Regulations. The policy on Related Party Transactions as approved by the Board of Directors has been uploaded on the website of the Company. The web-link of the same has been provided in the Corporate Governance Report.

The details of the related party transactions as per Accounting Standard 18 are set out in point 31 of the Notes on Accounts to the Financial Statements forming part of this report. The Form AOC - 2 pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is set out as **Annexure [E]**.

20. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY THE COMPANY:

During the year, There were no Loans, Guarantees, Investments and securities given/made/provided by the Company under the provisions of Section 186 of the Companies Act, 2013.

21. VIGIL MECHANISM / WHISTLE BLOWER POLICY:

The Company has a Whistle Blower Policy to report genuine concerns or grievances. Your Company is committed to highest standards of ethical, moral and legal conduct of business operations. Accordingly, the Board of Directors have formulated a Whistle Blower Policy which is in compliance with the provisions of Section 177(10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations. Employees can raise concerns regarding any discrimination, harassment, victimization, any other unfair practice being



adopted against them or any instances of fraud by or against your Company. Any incidents that are reported are investigated and suitable action taken in line with the whistle blower policy. The Whistle Blower Policy is also available on your Company's website (www.ksml.in).

22. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS:

There are no significant and material orders passed by the Regulators/Courts that would impact the going concern status of the Company and its future operations.

23. CORPORATE SOCIAL RESPONSIBILITY (CSR):

The CSR expenditure incurred by your Company during the financial year 2016-17 was ₹ 32.75 Lakhs which was higher than the statutory requirement of 2% of the average net profits for the last three financial years. (Which amounted to ₹ 28.29 Lakhs)

The CSR initiative of your Company was under the area of Social business projects.

Your Company's CSR Policy statement and annual report on the CSR activities undertaken during the financial year ended 31st March, 2017, in accordance with Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed to this report as **Annexure [F]**.

24. UNSECURED LOANS RECEIVED FROM DIRECTORS DURING THE YEAR 2016-17 :

During the year 2016-17, The Company has received Loans from Three Executive Directors.

S. No	Name of the Director	Amount Received During the year (Amount in ₹)
1.	Sri.PVenkateswara Reddy	25,00,000
2.	Sri G.V.Krishna Reddy	20,00,000
3.	Sri M.V.Subba Reddy	8,00,000

All the Directors were, at the time of giving the money, furnished their declaration in writing to the effect that the amount is not being given out of funds acquired by them by borrowing or accepting loans or deposits from others.

25. RISK MANAGEMENT:

The Company has implemented an integrated risk management approach through which it reviews and assesses significant risks on a regular basis to help ensure that there is a robust system of internal controls in place. Your Company believes that managing risks helps in maximizing returns. The Company's approach to addressing business risks is comprehensive and includes periodic review of such risks and a framework for mitigating controls and reporting mechanism of such risks. The risk management framework is reviewed periodically by the Board and the Audit Committee. Company has put in place response mechanisms that mitigate environmental, operational and business risks and minimise impact on business.

26. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134 of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014, is set out herewith as **Annexure [G]** to this report.

27. DETAILS ON INTERNAL FINANCIAL CONTROLS RELATED TO FINANCIAL STATEMENTS:

Your Company has put in place adequate internal financial controls with reference to the financial statements and the Company has effective risk-mitigation system. Your Company has adopted accounting policies which are in line with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 that continue to apply under Section 133 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and relevant provisions of the Companies Act, 1956, to the extent applicable. These are in accordance with generally accepted accounting principles in India. Changes in policies, if any, are approved by the Audit Committee in consultation with the Statutory Auditors.

The main thrust of internal audit is to test and review controls, appraisal of risks and business processes, besides benchmarking controls with best practices in the industry. The Internal Audit is entrusted to M/s Mastanaiah & Co., (Firm Reg No : 002039S) Chartered Accountants, Guntur, who submit their reports to the Managing Director & CEO and has direct access to the Audit Committee and they participated in the meetings of the Audit Committee of the Board of Directors of your Company.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to strengthen the same. The Audit Committee of the Board of Directors and Statutory Auditors are periodically apprised of the internal audit findings and corrective actions taken. Audit plays a key role in providing assurance to the Board of Directors. Significant audit observations and corrective actions taken by the management are presented to the Audit Committee of the Board. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee.

28. ENVIRONMENT AND SAFETY:

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires conduct of operations in such a manner, so as to ensure safety of all concerned, compliances of environmental regulations and preservation of natural resources for future Generations.

29. PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE:

As per the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ('Act') and Rules made there under, the Company has formulated and implemented a policy on prevention of sexual harassment at workplace with a mechanism of lodging complaints. For that purpose, Company has constituted Internal Complaints Committees (ICC). The Company has designated the external independent member as a Chairperson for each of the Committees which was beyond the requirements of law. During the year under review, no complaints were received in this regard.

30. REGISTRAR'S AND SHARE TRANSFER AGENTS:

Your Registrar and Share Transfer Agents of the Company M/s Big share Services Private Limited, 306, 3rd Floor, Right Wing, Amrutha Ville, Opp. Yashodha Hospital, Raj Bhavan Road, Somajiguda, Hyderabad – 500 082.

31. TRANSFER OF UNPAID AND UNCLAIMED AMOUNT TO IEPF:

Pursuant to the provisions of section 124 of the companies Act, 2013, the declared dividends which remained un paid or unclaimed for a period of seven years, have been transferred by the company to the Investor Education and Protection Fund (IEPF) established by the Central Government.

During the year 2016-17, Unclaimed Dividend For the year 2008-09 was transferred to Investor Education and Protection Fund (IEPF). Pursuant to the provision of rule 3 of the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001, necessary e-form (Form 1 INV) which contains the Statement of amounts credited to IEPF was filed to Registrar of Companies (ROC).

The following are the details of dividends paid by the Company and respective due dates for transfer of unclaimed dividend to IEPF.

Dividend Year	Date of Declaration of Dividend	Due date for transfer to IEPF
2009-10	18-09-2010	23-10-2017
2010-11	27-08-2011	01-10-2018
2013-14	27-09-2014	01-11-2021
2014-15	26-09-2015	31-10-2022
2015-16	28-09-2016	02-11-2023

32. APPRECIATIONS AND ACKNOWLEDGEMENTS :

Your Directors sincerely convey their appreciation for the unbelievable commitment, support, dedication, hard work, enthusiasm and significant contribution made by employees in ensuring sustained growth of the Company. The Directors also take this opportunity to thank all shareholders, Clients, Vendors, Bankers, Government and Regulatory Authorities and Stock Exchanges for their continued support.

For and on behalf of the Board of Directors

P.Venkateswara Reddy
Managing Director
DIN : 00018677

G.V.Krishna Reddy
Joint Managing Director
DIN : 00018713

Place : Chowdavaram, Guntur
Date : 26-08-2017