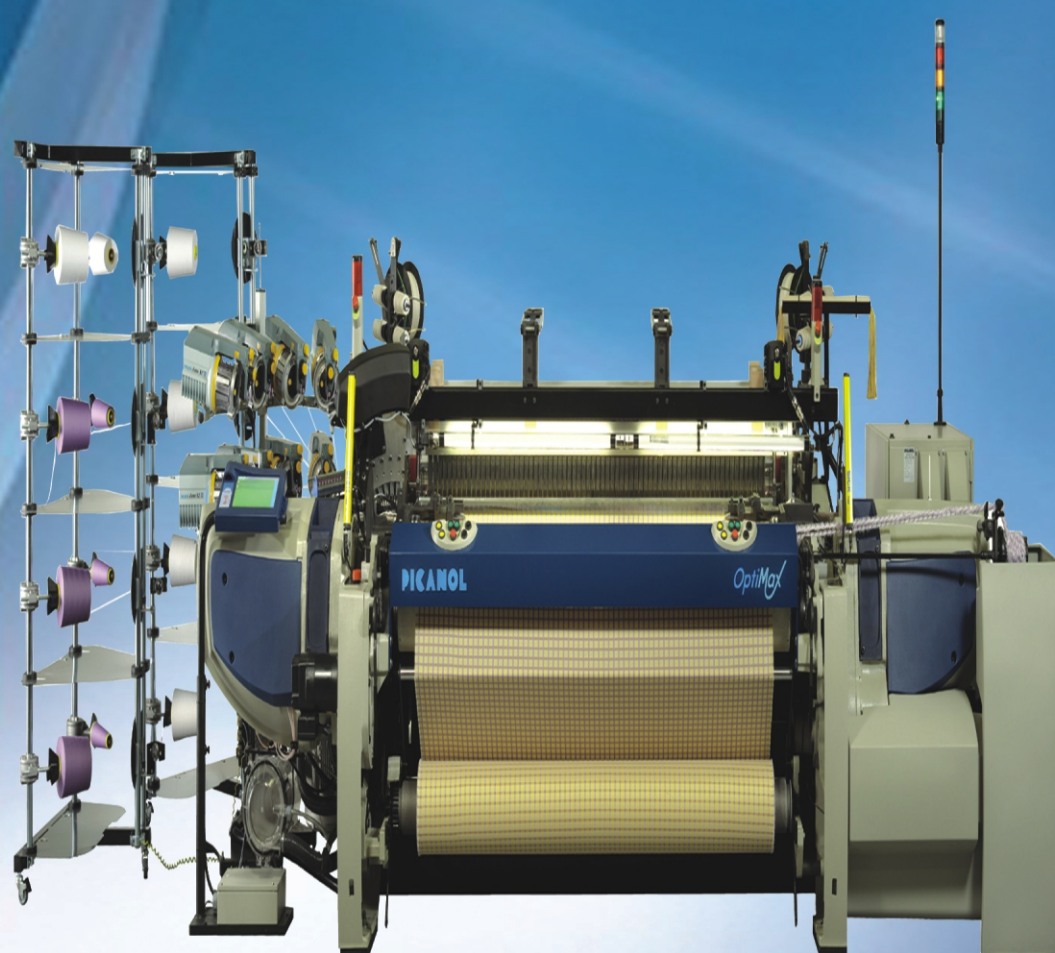




# 21st ANNUAL REPORT

## 2012 - 2013



**KALLAM SPINNING MILLS LIMITED**

NH5, CHOWDAVARAM, GUNTUR - 522 019, A.P., INDIA.



**Company Information:**

Board of Directors	:	Sri K.Haranadha Reddy, Non Executive 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 V.S.N.Murthy, Nominee Director of IREDA Sri A.Krishna Murthy, Director Sri S.Pulla Rao, 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
Auditors	:	M/s Brahmayya&co., Chartered Accountants, 10-3-21, Sabasivapet, Guntur-522001
Cost Auditors	:	P.Srinivas, Cost Accountant 97/2 RT Vijaya Nagar Colony, Besides Masab Tank, Hyderabad-500 057
Registered office & Spinning division	:	N.H.5, Chowdavaram, Guntur-522019 Phones: 0863 - 2344010, 2344017 Fax: 0863-2344000 E-mail:kallamsp@gmail.com.
Registrars & Share Transfer Agents	:	Big share Services Pvt. Ltd., 306, 3 <sup>rd</sup> Floor, Rigt Wing, Amrutha Ville, Opp. Yashodha Hospital, Raj Bhavan Road, Somajiguda, Hyderabad 500 082.Ph No.040-23374967 Fax No.040-23370295.

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**KALLAM SPINNING MILLS LTD.**

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the 21<sup>st</sup> Annual General Meeting of the Members of **KALLAM SPINNING MILLS LTD** will be held on Saturday 21-09-2013 at 3.00 P.M. at the Registered Office of the Company at NH-5, Chowdavaram, Guntur, to transact the following business.

**Ordinary Business**

1. To receive, consider and adopt the Statement of Profit and Loss for the financial year ended March, 31 2013 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors.
2. To appoint a Director in place of Sri K Haranadha Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri S.Pullu Rao who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. Brahmayya & Co., (Reg No-000153S) 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.

Place : Chowdavaram  
Date : 30-05-2013.

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. The Register of Members and Share Transfer Books of the Company will remain closed from 16-09-2013 to 21-09-2013 (both days inclusive).
3. 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.
4. 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 (Seven) days before the date of the meeting to make the required information.
5. 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, 3<sup>rd</sup> Floor, Rigt Wing, Amrutha Ville, Opp. Yashodha Hospital, Raj Bhavan Road, Somajiguda, Hyderabad 500 082** at the earliest not later than 16-09-2013.
  - a. Any change in their address/mandate/Bank details; and
  - b. Particular of their Bank Account, in case the same has not been sent earlier.
6. 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.
7. Shareholders should note that as per statutory provisions, if the dividend amount remain unpaid/unclaimed for 7 (Seven) years from the due date, the said unpaid/unclaimed amount has to be transferred to Investor Education & Protection Fund (IEPF) set up by Central Government. As such the unpaid / unclaimed amount in Dividend Accounts FY 2005-2006 has transfer to IEPF. Shareholders who have not received / claimed the said dividend are requested to claim the same before due date.



**KALLAM SPINNING MILLS LTD.**

**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.2***

K. Haranadha Reddy is the founder and promoter of the KSML and presently he is acting as Non Executive Chairman of the Board. He is aged about 77 years holds a Masters Degree in Arts and graduate in Law. He has about 48 years of rich experience in cotton and spinning business. Further he got good experience in the Ginning, pressing, Oil Mills Chillies, Rice Business etc. He was associated with the company since its inception.

***Item No. 3***

Mr.Swargam Pulla Rao is a Non-Executive Independent Director of Kallam Spinning Mills Limited. He is aged about 68 years. He is a Commerce Graduate from Andhra University .He joined in Indian Revenue Service and retired as Joint Commissioner of Income tax in June 2005 after rendering about 42 years of Service in various capacities in Income Tax Department. He advises the company in tax related matters.

Place : Chowdavaram  
Date : 30-05-2013.

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

**KALLAM SPINNING MILLS LTD.****Director's Report****TO THE MEMBERS OF THE KALLAM SPINNING MILLS LIMITED.,**

Your directors have pleasure in presenting the 21<sup>st</sup> Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31<sup>st</sup> March 2013.

**I. FINANCIAL RESULTS:**

The financial results for the year ended 31<sup>st</sup> March 2013 are summarized below:

S.No.	Particulars	2012-2013 (Rs. in lacs)	2011-2012 (Rs.in lacs)
01	Sales	18302.65	15197.10
02	Other income	350.59	395.02
03	Increase / (Decrease) in stock	-387.56	710.46
04	Expenditure	14919.08	14361.01
05	Profit before Interest, Depreciation & Tax	3346.60	1941.57
06	Depreciation	757.22	692.40
07	Interest	1404.46	1238.01
08	Profit before tax	1184.92	11.16
09	Provision for income tax		
	i) Current Year Tax	255.00	2.15
	ii) Deferred Tax	-314.43	-51.29
10	Profit after tax	615.49	60.30
11	Earning per share	8.98	0.88

Transfers & appropriations from the profit are as detailed below:

12	Net Profit after tax	615.49	60.30
13	Balance brought forward from previous year	3131.04	3070.74
14	Profit for appropriations	3746.53	3131.04

**APPROPRIATIONS**

15	Transfer to General Reserve	--	--
16	Proposed Equity Dividend	--	--
17	Tax on Proposed Equity Dividend	--	--
18	Balance carried forward	3746.53	3131.04

The Turnover of the company for the period under review increase to Rs.18302.65 Lakhs as compared to Rs.15197.10 Lakhs registering a growth of Rs 20.43 percent on annualized basis. The profit before interest and taxes of the company has increased by 107.29% on annualized basis from Rs 1249.17 lakhs in previous year to Rs.2589.38 lakhs in the period under review.

**II. DIVIDEND:**

In view of the company's have Projects in hand the Board Directors has not recommended dividend in respect of the financial year 2012-2013.

The paid up capital of the company remained unchanged at Rs 685.11 lakhs. Earnings per share was Rs 8.98 and cash per earning share was Rs 20.04.

**KALLAM SPINNING MILLS LTD.**

**III. EXPANSION & MODERNISATION:**

During the financial year under review the following expansion cum modernization had taken place in various divisions.

**A) KSML RING SPINNING DIVISION:**

Kallam Spinning Mills Limited started its production on 22 March 1995 with 12096 spindles. KSML is an ISO 9001-2000 Certified Company by TUV since 2000. The unit is located on Golden Quadrilateral NH-5 connecting Chennai and Calcutta. KSML today operates 56400 spindles of Ring Spinning out of which 31488 spindles are compact.

The premium quality yarn is exported to number of customers across the world. The company relies on consistent supply of international standard quality yarn. Having clear vision, well placed systems, guided by a team of professionals & steered by an enterprising management, KSML continuous to diversify its products and extend its customers reach.

**Product Range:**

Ring Spinning Yarn : Ne.30s to Ne.80s combed warp / compact.  
TFO Yarn : Ne.30/2 to Ne.80/2 combed warp / compact.  
Production per Month : Ring Spinning Yarn, 420 tons.

**Maintenance of Machines:**

The company strictly follows all scheduled activities which are routine and preventive activities are followed as per its documented plans in quality manual. On regular basis internal system audits as well as machine audits are carried out to ensure the effectiveness of the preventive maintenance. The mill follows machines maintenance as per SITRA recommendation and as per its own experience. The maintenance activity is given at most priority. All the spares are replaced as per machine manufacturer's suggestion and are purchased directly from the Machine manufacturers to get quality parts. The mill replaces capital machines on regular basis with the latest technology.

**Quality Control Measures:**

Raw material inspection will be carried out on Uster HVI Spectrum and Uster Afis Pro -2 for 2.5% SL, uniformity, MIC, Strength, Short fiber content % and neps /gm. Bale management system is followed for consistent superior yarn quality, and for this, cotton stock required for minimum 5 6 months is maintained. Carding and combing process optimized for NRE of 75% to 85% and 65% to 70% respectively. RIETER D35 /D40 draw frames are maintained for a% less than 0.50. In ring frame breakages are maintained below 5 to 6 breaks per 100 spindle hour. In autoconer utmost care is taken for achieving 85% splice strength with defect-free packages. Apart from in process inspection system, mill has adopted very stringent final inspection procedure before dispatching yarn to its customers.

We maintain regional quality test center, do extensive testing of cotton yarn for mills in and around Guntur. The quality testing dept is a profit center on its own.

**B) KSML Open End Spinning Division:**

KSML established its Open End unit in the year 2009-10 with an initial capacity of 1248 Rotors. The total Rotors capacity of Open End Unit was increased to 2912.

KSML have proved its OE yarn quality in the international market and have continuous demand in the market. Repeated orders are getting continuously. The premium quality yarn is exported to number of customers across the world. The company relies on consistent supply of international standard quality. Having clear vision, well place systems, guided by a team of professionals and steered by an enterprising management. KSML continuous to diversity its products and extend its customer reach.

**Product Range:**

OE Yarn : Ne10s to Ne20s  
TFO Yarn : Ne OE 20s/2  
Production Capacity : 18000 kg / day.

Consistent commitment to high quality standards and innovations has been the secrete of success. Superior open end unit ensure the supply of consistent quality yarn to manufacture the cloth.

**KALLAM SPINNING MILLS LTD.**

**C) KSML Ginning Division:**

KSML started its Ginning Division in March 2011 with 24 ginning machines. These ginning machines are increased to 28 nos. It has most modernized Automatic bale pressing unit and auto seed booster compressor to seed storage tank. This is one of the best and most modern TMC units in entire Guntur dist

**Machinery Infrastructure:**

Roller Ginning : Nipha  
Auto Seed Boosting & Collection : Auditya Quality  
Automatic Bale Press : Karunanand

The Ginning Division has capacity to press 200 bales / day and 50,000 bales in a year.

**D) HYDRO ELECTRIC DIVISION:**

Our company has three hydro electric plants with 4.0 MW capacities at Nelakondapally Mandalam, Khammam District of Andhra Pradesh. These plants are on 16<sup>th</sup> & 17<sup>th</sup> branch canal of Nagarjuna Sagar project left main canal. The canal flows for 7 to 8 months in a year. Typically the canal is opened in Aug/Sep and closed by end April. The first two projects of 0.8 MW and 1.6 MW were commissioned in Jan 2002. We have successfully commissioned the third hydro electric plant of 1.6 MW capacities on 27<sup>th</sup> March 2011. All the generators produce electricity at 6.6 KV voltage level. The generated voltage is enhanced to 33 KV by a power transformer and fed to the state electricity grid. The hydel power generation solely dependent on the canal water flow. The 0.8 MW hydro electric projects is financed by IREDA, New Delhi and remaining two Nos. of 1.6 MW hydro electric projects are financed by Andhra Bank. We have good electrical and mechanical engineering team at the hydro electric plants. They ensure the availability of plant by more than 98% when water is flowing in the canal. Due to lack of rain in encashment areas of Krishna river during the financial year 2012-13 we have generated only 7,55,830 Units. Out of the generation 70% of the units are wheeled and consumed in spinning mill and 30% of the units are sold to AP Transco.

**E) WEAVING UNIT:**

The Company had commenced the civil work for the 250 Looms Project at Kunkupadu village, Addanki mandalam, Prakasam district, Andhra Pradesh. The Project cost is 146 crores and Indian Bank had sanctioned a term loan of Rs. 106.92 crores.

Our plant capacity of production is one Lakh meter per day of woven fabric including 70% yarn dyed shirting and 30% of bottom weight fabric. We have the state of art machineries in weaving preparatory, weaving loom shed and sophisticated testing equipment and instruments aimed at continuing to be a market leader in quality during the future years.

We, Kallam Spinning Mills Limited are one of the leading textile manufacturers. We create emotions. Our possibilities of fabrics are boundless, such as Dobby yarn dyed shirting, fabrics with cotton 100% and blended with lycra stretch, polyester, nylon, Linen and viscose fabrics. It does not which fabric or design is concerned. Our name guarantees perfect workmanship at all time. The weaving industry is professionally managed with techno-commercial professionals at the helm of affairs.

We have the state of art machines from various leaders of manufacturers around the world. We are procuring from with the countries of Belgium, Japan, Swiss, Spain, German, China and Italy.

**WEAVING PREPARATORY**

We have plan to install the following type of machines for our green field weaving project.

**1. Direct wrapping Machines (2 no's)**

- a) Karl Mayer - Germany with 784 creel and PLC Controlled
- b) Prashanth West Point India with 690 creel and PLC Controlled

**2. Sectional Wrapping Machines (2 no's)**

- a) Prashanth Gamma Tex: Indo Italy collaborated with fully automatic microprocessor control and lasertonic system.



**KALLAM SPINNING MILLS LTD.**

**3. Sizing Machine (2 no's)**

- a) Karlmayer Germany, with 20 beams creel and beam to beam sizing capacity & Prashanth west point US collaborated width beam to beam sizing for yarn dyed shirting.

**4. Automatic Drawing in Machine**

- a) Staubli Delta-110-fully automatic with camera control and 100% fault free machine.  
b) This is the world's No.1 machine for auto drawing. It saves lot of man power and timings.

**WEAVING LOOM SHED**

**1. PICANOL OMNI PLUS SUMMUM AIRJET (102 no's)**

High speed air jet loom with 1150 RPM capacity to produce 300 mtrs to 650 mtrs in a loom per day as per pick density. These are Belgium made machines. These are the state of art machine for producing the 100% cotton and blended with polyester, viscose, linen and Lycra fabric. The loom working width is 190 cm. and it has 800mm & 1000mm beam flanges. The machine will have very sturdy side frames and back rest systems to match with our requirements for producing bottom weight and yarn dyed shirting. Picanol Omni plus Summum is the most advance loom with sumo motor and ELSY motion, cramming motion, multiple weft insertion and Lycra Stretch Systems. SUMO motor is the patent righted for Picanol, since the sumo motor will work with software control to increase and decrease the RPM within a fraction of a minute. Whereas the old system stake minimum half an hour to reduce or increase the speed changing the pulleys. ELSY motion is the electronic selvage motion with separate control of selvage of ends to bring more designs in selvage alone. Picanol is the only loom in the world which will have this system cramming motion is the most advanced technology to control the take up motion to bring the exclusive design in weft way. This Summum brand is running one more special advantage in filling cutter for multi-color weft control facility. This will work in different timings of weft filling according to the color and count varieties. The machine works without belt drive to ensure the zero defects in the fabric. Where the all other brands will have belt drive only.

**2. PICANOL OPTIMAX RAPIER LOOMS (42 no's)**

This is the most modernized Belgium made loom with 20 shaft dobby made by Staubli-Swiss. This machine is more suitable rapier technology to produce endless colors in wrap way and 8 colors in weft way. 20 shaft dobby motions is suitable for any critical dobby yarn dyed shirting fabrics. The rapier technology with flexible drive system to ensure the zero breaks down and to increase the utilization. Picanol optimax rapier looms are most sophisticated looms of rapier weft insertion followed by their earlier types of Picanol, GTM, GTX, GTMAS, GAMMA and GAMMAX. This machine is also having Sumo motor, ELSY selvage crank motion, multiple weft insertion and so many other facilities like touch screen micro software to against the settings according to the qualities. The machine has three set cards to transfer the settings from one loom to another loom and preserve the settings exclusively. The loom installed RPM is 650. All dobby weave fabrics as well normal yarn dyed products may be produce with zero defect.

**3. TOYOTA JAT 810 AIR JET (104 no's)**

This is Toyota-Japan make who are the leaders in loom manufacturers in last two centuries. This is high speed air jet technology looms which is suitable for yarn dyed shirting, bottom weight and suiting with 100% cotton and blended with polyester, linen, nylon, viscose and lycra stretch fabrics. Toyota first time in India offering JAT 810 Air jet looms to produce 380 to 700 mtrs per day in one machine. This machine is having special feature of crank to non-plain fabric separately, also we have 7 shafts and 1681 type Staubli cam box attachment to run various weave designs like twill, drill, sateen, matt & oxford etc. this is the fault free loom to produce zero defect fabric with minimum maintenance cost and maximum utilization. The Toyota Air jet has earlier models like JAT 610 & JAT 710. This model JAT 810 is more beneficial for air consumption control by their "P" monitor attachment. Also the machine has very friendly software for monitoring the loom mechanical setting and fabric settings. The machine has more facilities to arrest the fabric damages like bumping mark, starting mark, etc. the special Lycra stretch system will be suitable for producing Lycra weft fabric which is most popular in the market.

**KALLAM SPINNING MILLS LTD.**

**D) DYEING UNIT:**

The Company had taken up dying of cotton Yarn 5000 kgs per day production. The project is being implemented at cost of Rs. 12.5 crores and Bank of Baroda is financing Rs.9.90 crores by means of term loan.

**1. PROJECT CAPACITY/EQUIPMENT**

**DYEING 11 MACHINES FROM 3 KGS TO 500 KGS/MACHINE**

The project is catering to yarn dyed shirting in weaving and will require small to large quantities of dyed yarn in various shades, depending upon the customer order. We have facility to run the dyeing vessel from 100% to 50% capacity with out change in MCR ration with air pad technology.

Each machine has 2 carriers are in the machine & second ready for next loading. Each carrier has several spindles and maximum of 10 cones /spindle can be loaded based on the machine capacity. We have scheduled dyeing Machines; with a capacity of 2110 kgs /load. Based on an average of light/medium, dark shades & bleach, we will be able to dye 2.5 lots/day of 24 hours. Thus the maximum capacity of plant of 5275 kgs.

**2. HYDRO EXTRACTOR-DETTIN-ITALY**

Cotton after wet dyeing usually has moisture and has to be squeezed or extracted by centrifugal rotation of the material. Earlier technology was to dump all cones into a perforated basket and rotate at high speed, thus removing around 50 % moisture and retaining 50% to be dried on the radio frequency drier. The cones are loaded onto individual cone spindles and each cone rotates at high speed on its own axis, thus achieving same as earlier results, but without de-shaping the cones, as it is not manually handled. The capacity of BERTA 36 model matches the dyeing capacity of 275 kgs/hr. The machine operates continuously.

**3. RADIO FREQUENCY DRYING.STALLAM**

Subsequent to dyeing and extraction on dyeing machine, the moisture content is to be brought down from 50% to 10% and we need to dry the yarns. Earlier drying was done by passing steam through the cheeses , which was very expensive and time consuming. We have adopted the latest Radio Frequency system, wherein the drying is carried out by acting only on moisture at a particular frequency. Although this consumes high power,[105 Kw] ,the yarn strength does not reduce as in older technology and the process is continuous and instantaneous.We have gone for the STALLAM R.F.DRIER FROM EUROPE which has various safety features. The capacity is matching our dyeing requirement of 275 kgs/hour.

**4. AUTO DYE WEIGH & AUTO LIQUID CHEMICAL DISPENSING [ ELLIAR AUTO LIQUID DISPENSING]**

Until recently all dyes and chemicals were manually weighed, prepared and dispensed. This manual activity gave scope for errors and thus added one more variable for shade differences between lots. Over last few years there has been lot of work on auto dispensing, and it has been observed that in addition to reducing costly errors in weighing ,there is atleast 10 to 15% savings in chemicals by avoiding spilling and excess use due to approximations. Also the auto system is connected to online system ,which indicates real time , stock, consumption, re-order levels highlighting etc reducing clerical work and consequent errors. By going for bulk dispensing we also save in getting chemicals in larger containers instead of smaller cans manually.

The bulk auto dispensing is mainly meant for savings, less manual intervention apart from accuracy. In case of laboratory auto dispensing tecnorama mentioned separately in this write it is mainly for accuracy at very low scale levels of few millilitres.

We also have gone for semi auto dye weighing wherein the actual weighing of dyes is done automatically and errors avoided by means of bar-coding of dye drums and real time stock maintenance.

However we need to dispense the the dyes after dissolving & preparation manually into the individual dye machines.