



# KALLAM TEXTILES LIMITED

Formerly Known as "KALLAM SPINNING MILLS LIMITED"

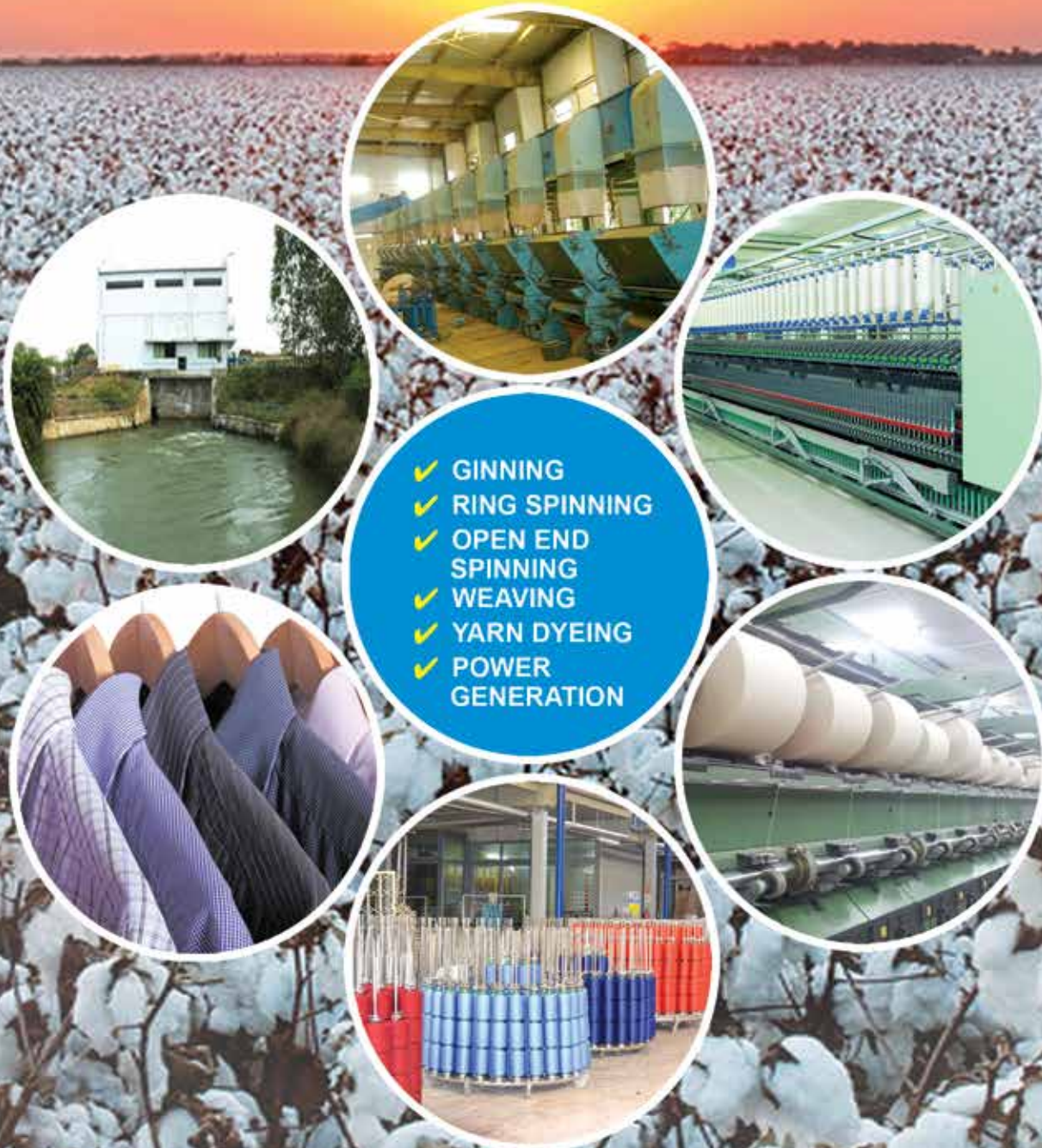


**BCI**

Better  
Cotton  
Initiative



## 26<sup>th</sup> ANNUAL REPORT 2017-18



- ✓ GINNING
- ✓ RING SPINNING
- ✓ OPEN END SPINNING
- ✓ WEAVING
- ✓ YARN DYEING
- ✓ POWER GENERATION

Towards Excellence in Spinning,  
Yarn Dyeing and Weaving



RESIDENTIAL TOWNSHIPS

RESIDENTIAL HOUSES

CORPORATE  
OFFICE

GINNING DIVISION

402 KMS

CHENNAI

NATIONAL HIGHWAY - NH-5

KOLKATA

1271 KMS



RVR & JC ENGINEERING COLLEGE

KHIT ENGINEERING COLLEGE

SPINNING DIVISION

OPEN END DIVISION

KALLAM TOWNSHIPS

TEMPLE

WAY TO TOWN SHIP >>>>

CONTAINERS  
OPEN YARD

SECURITY  
CLEARANCE

VISITORS  
STAY

PLAY GROUND

RAIN WATER  
HARVESTING







Mr.K.Haranadha Reddy, Chairman, Mr.G.V.K. Reddy, JMD, Mr.SV Govindraj, VP of our Company Exchanging Memorandum of Understanding (MoU) with Sri N.Kiran Kumar Reddy, Hon'ble Chief Minister of Andhra Pradesh, December 2012.





Mr. GVK Reddy, JMD & CEO of our Company  
exchanging Memorandum of Understanding (MoU) with  
Sri N.Chandrababu Naidu,  
Hon'ble Chief Minister of Andhra Pradesh  
on 25<sup>th</sup> February, 2018



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## COMPANY INFORMATION

### EXECUTIVE DIRECTORS

**Sri P.Venkateswara Reddy**  
Managing Director

**Sri G.V. Krishna Reddy**  
Joint Managing Director

**Sri M.V. Subba Reddy**  
Whole Time Director

### NON EXECUTIVE DIRECTORS

**Sri Ajeya Kallam (IAS)\***  
Chief Secretary of A.P. (Rtd.)

**Sri M.R.Naik#**  
Rtd. IAS Officer

**Sri A.Krishna Murthy#**  
Rtd. Joint Commissioner of Labour

**Sri S. Pulla Rao**  
JC of Income Tax (Rtd.)

**Sri V.Ramgopal\***  
ED in Indian Bank (Rtd.)

**Sri VSN Murthy**  
CGM APIDC (Rtd.)

**Smt. V.Bhargavi**  
Chartered Accountant

### LISTING

: **Bombay Stock Exchange Ltd**  
Scrip Code - 530201  
Scrip ID - KALLAM

### REGISTRARS AND SHARE TRANSFER AGENT

: 306, 3<sup>rd</sup> Floor, Right Wing,  
Amrutha Ville,  
Opp. Yashodha Hospital,  
Raj Bhavan Road, Somajiguda,  
Hyderabad – 500 082.  
Ph No.040-23374967  
E-mail : bsshyd@bigshareonline.com

### STATUTORY AUDITORS

: **M/s Chevuturi Associates,**  
Chartered Accountants

### INTERNAL AUDITORS

: **M/s Mastanaiah & Co.,**  
Chartered Accountants,

### COST AUDITORS

: **P.Srinivas,** Cost Accountant

### SECRETARIAL AUDITORS

: **K.Srinivasa Rao & Co.,**  
Company Secretaries

### BANKERS

: **Andhra Bank, Indian Bank,**  
**Bank of Baroda**

### AUDIT COMMITTEE

: **Sri S.Pulla Rao,** Chairman  
**Sri VSN Murthy,**  
**Smt. V.Bhargavi**

### SHARE TRANSFER COMMITTEE

: **Mr. GVK Reddy,** Chairman  
**Mr. P.Venkateswara Reddy,**  
**Mr. MV Subba Reddy**

### NOMINATION AND REMUNERATION COMMITTEE

: **Mr.V.Ramgopal,** Chairman  
**Sri VSN Murthy,**  
**Mr. Ajeya Kallam**

### CSR COMMITTEE

: **Mr. GVK Reddy,** Chairman  
**Mr.V.Ramgopal,**  
**Mr. MV Subba Reddy**

### STAKEHOLDERS' RELATIONSHIP COMMITTEE

: **Mr. Ajeya Kallam,** Chairman  
**Mr. GVK Reddy,**  
**Mr. MV Subba Reddy**

\* Appointed in the Board w.e.f. 26<sup>th</sup> August, 2017.

# Resigned from the Board w.e.f. 29<sup>th</sup> September, 2017.

### Registered Office and Corporate Office

: Chowdavaram, Guntur-522019, A.P., India.  
Phones : 0863-2344010, 16, E-mail : corp@ksml.in

### Ginning, Spinning, Open End Plants Weaving and Dyeing Plants Hydel Plants

: Chowdavaram, Guntur-522019, A.P., India.  
: Kunkupadu - 523265, Addanki, Prakasam (Dist.), A.P., India.  
: Nelakondapalli (M) - 507160, Khammam (Dist.), Telangana, India

## About the founder



**Sri Kallam Haranadha Reddy**  
Chairman Emeritus

Sri K. Haranadha Reddy is the founder and promoter of Kallam Textiles Ltd. (Formerly Kallam Spinning Mills Ltd.) and presently he is acting as Chairman Emeritus of our Company. He is aged about 82 years, holds a Masters Degree in Arts and graduate in Law. He has about 60 years of rich experience in cotton and spinning business. Further he got good experience in the Ginning, Pressing, Oil Mills, Chillies and Rice Business. He has associated with the company since its inception.

Sri K. Haranadha Reddy is also a Philanthropist. He started Kallam Academy of Educational Society, in the name of “Kallam Haranadha Reddy Institute of Technology” in Chowdavaram. Every year he gives education scholarships to poor students.

## LETTER TO SHAREHOLDERS



*"We have evolved from Kallam Group with hard work, consistent and stood for our moral values".*

*Cotton is one of the most important elements in the spinning industry, our focus has been to develop competencies in this area. We directly source cotton (kappas) from the farmers and have created long-standing relationship with our suppliers.*

*Our international relationships give us the leeway to export if so desirable.*

### Dear Fellow Share holders,

We are happy to announce excellent performance results of your company for the financial year ended 2017-18 with a record annual turnover of Rs 3107 million growth of 8.3% y-o-y, and exports of Rs 911.57 million and record profit after tax of Rs 156 million growth of 23.4% y-o-y.

### About KTL

Your company is celebrating silver jubilee of 25 years in operation. Your company is diversified with vertical value addition and steered by visionary independent directors and guiding your company since inception. They also have an excellent track record and in their own fields. They were questioning each and every move of the company and going through balance sheet with minute details. All the working directors are dedicated and contribute at least twelve hours every day and six days a week. The company had encouraged all the employees to be hardworking and loyal to the company. More than 25% of the employees have been working since the inception of each of its divisions.

Your company had grown many folds from 12,096 to 59280 ring spindles. Your company had its core values taken from its founder Mr. Kallam Haranadha Reddy who is a mentor, philosopher, guide, and philanthropist. He stood for his moral values even during tough times.

Your company believes in core competency in textiles and focuses on value addition path.

### Name Change

Your company christened as "Kallam Textiles Ltd", in line with the change in Business profile. The company started with spinning and since the last 25 Years, Your company has moved to value added activities such as Ginning, Spinning, Open End, Weaving, Yarn Dyeing and Hydel Power Projects. We also have fabric processing, fabric dyeing and printing in our future pipeline. Keeping in view of all the above activities the new name to be broad-based representing all the activities.

### Achievement

Your company had been listed on the Bombay Stock Exchange from 1995 with 100% compliance. The CAPEX of the company crossed to Rs 4200 million from Rs 120 million within 23 years. The CAPEX also has grown year after year without any setbacks.

### Recognition of Excellence

Your company is committed to quality and certified ISO 9000 since 1999. In addition, your company is certified for BCI, 5S, OCS, Oeko- tex etc. Your company has best quality testing laboratories with a wide range of testing equipment. We test not only internally but also for various spinning mills around us.

### Subsidies

Govt of India, Ministry of Textiles had introduced Technology Upgradation Fund since 1999. All the loans taken by your



company are backed by Technology Upgradation Fund incentives. The weaving and yarn dyeing had Technology Upgradation Fund subsidy of 10 % capital subsidy and 5% interest subsidy. In addition, Govt of Andhra Pradesh is providing power subsidy of Rs 1.50 / unit for the first five years of operation and Rs 2.00 / unit from sixth to the tenth year of operation. In addition, there is further interest subsidy of 8% for weaving and dyeing units.

### Zero bad debt

Your company has a very strict policy for collection of receivables. The company has no bad debts since the inception of the company. This is possible due to repeat order customers, payment against cash, Letter of Credit etc, and Post Dated Cheques from a customer with a guarantee from the sales agent. We have credit limits to every customer and agent.

### Maintenance

We have been consistently upgrading our machinery. The machinery is replaced every ten to fifteen years depending on the type of machinery, to keep us competitive with lower power cost, lower labour cost, and high-quality product. Your company also follows the best plant preventive maintenance programs to keep the machinery fit to operate 24/7. Your company also buys the best lubricants, original spare parts from OEMs.

### Exports

Your company is a star export house. This year we crossed Rs 91.57 Cr in exports. The fabric exports attract 3% subvention on the packing credit and 1.2% duty drawback and a further 2.0% under MEIS.

### Leadership

Mr P. Venkateswara Reddy, Managing director has more than 40 years experience in procurement of kappas & cotton. The quality of each bale of kappas and cotton carefully is tested and approved by him.

Mr GVK Reddy, JMD & CEO is a technocrat takes care of selection of machinery, operations, marketing, liasoning, strategy etc.

Mr MV Subba Reddy, whole time director look after finance and accounts.

### Road ahead

Your company has many plans towards future expansion. The Looms are to be increased from 248 to 310nos. The yarn dyeing to be increased from 5 tons to 10 tons/day. The process house to dye cloth and printing to one Lakh meters/day to be set up.

Andhra Pradesh state also has good potential to install windmills in Rayalaseema region. The Govt of AP also is giving a number of incentives. Your company also intends to increase captive power by windmills.

### Reward Good Work

In order to create a sense of ownership and participation among employees, to reward long-term employee's loyalty towards the company, to motivate the employees with incentives to inspire loyalty and reward opportunities, to provide means to enable the company to attract and retain appropriate human talent in the employment of the company and to achieve sustained

growth of the company the board of directors in its meeting held on 28<sup>th</sup> May 2018 have approved and proposed for the approval of the shareholders for the issue of stock options as per which employees, who comply with certain eligibility criteria would be granted stock option to subscribe a specified number of equity shares of the company offered to them at a price to be determined. The proposed plan would be subject to and in Conformity with the SEBI guidelines.

### Employee Welfare

Your company also has townships both at Chowdavaram, Guntur, and kunkupadu (weaving plant). Each Employee provided with 500 sqft single BHK apartment. The provisions are provided by Employees departmental stores which operates on no profit & no loss policy. The groceries are around 10% cheaper than market prices due to mass procurement. Employee townships are provide with facilities such as Doctor, Tailor, Barber, Bank ATM, mineral water plant, vegetable shops, Fast food restaurant, cloth shop etc, so that they are self-sufficient and employees need not go out for their daily needs. Each township is also served by at least six different school buses so that each and every child has a decent education. There are parks, playgrounds and cruche for the children. Every year we plant at least 20,000 saplings. The quarters are provided with a green environment. The employees and their families can take walk in the morning or evening in the parks. In addition we also provide scholarships to employees children in order to encourage them for university education.

### The Journey Continues

We see an unprecedented amount of opportunity in our future. Although we still have a lot of hard work ahead, our products are generating excitement among our customers. And when I pause to reflect on how far we've come over the past few years and how much further we'll go in the next one, I couldn't be more excited and optimistic.

We believe this solid performance will be the result of our various management approaches. Above all, we are resolved to making unrelenting efforts to raise corporate value by refocusing on the basics of manufacturing; strengthening our corporate constitution and providing products that ensure the satisfaction of customers worldwide.

### Dividend / Bonus

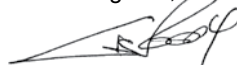
We have been rewarding our shareholders for the last 12 years by paying dividends. Further shareholders also rewarded by issuing one bonus share for every four shares held.

### Invitation to Shareholders

I want to thank you for your trust and companionship. We will continue to play the long game. We invite you to Kallam Textiles Ltd-AGM 2018 and meet Team of Kallam Textiles and look forward for your attendance.

As always, thank you for your support.

Warm Regards,



**G.V Krishna Reddy**  
JMD & CEO

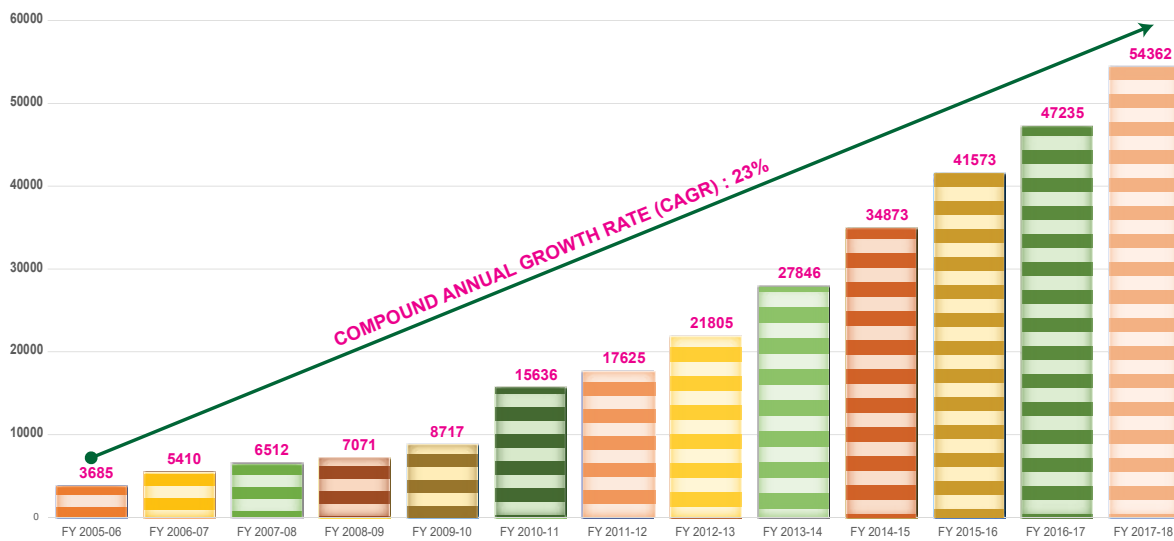
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## FINANCIAL HIGHLIGHTS

Our Operations are vertical integrated Consistent Revenue Growth

**GROSS REVENUE** Lakhs : INR



CAGR from FY 1995 - 96 to FY 2017-18 → **20.49%**

**NET REVENUE** Lakhs : INR



CAGR from FY 1995 - 96 to FY 2017-18 → **17.64%**