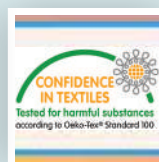




# KALLAM TEXTILES LIMITED

Formerly known as "Kallam Spinning Mills Limited"



*Towards Excellence in Spinning, Yarn Dyeing and Weaving*





# WHAT IS INSIDE

## CORPORATE OVERVIEW

01 - 16

- ▶ Corporate Information
- ▶ Letter from JMD & CEO
- ▶ Empowerment and Social Initiative

## STATUTORY REPORTS

17 - 75

- ▶ Board's Report & Annexures
- ▶ Management Discussion & Analysis Report
- ▶ Annual Report on CSR Activities
- ▶ Secretarial Audit Report
- ▶ Report on Corporate Governance

## FINANCIAL STATEMENTS & AGM NOTICE

76 - 132

- ▶ Independent Auditor's Report
- ▶ Financial Statements
- ▶ AGM Notice
- ▶ Proxy form
- ▶ Attendance Slip
- ▶ Route Map



### 27<sup>th</sup> Annual General Meeting

Date : 21-09-2019

Time : 3 p.m.

Venue : Registered Office of the Company, NH-5,  
Chowdavaram, Guntur Dist.-522 019.

### Forward-looking statements

Statements in the Annual Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Since these statements are based on certain assumptions and expectations of future events, the actual results could differ materially from those expressed or implied. The important factors that could make a difference to the Company's operations include the economic conditions affecting the domestic demand supply conditions, prices of finished goods, the changes in government regulations because of the tax regime etc. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of Subsequent developments, information or events.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

#### Sri P.Venkateswara Reddy

Managing Director

#### Sri G.V. Krishna Reddy

Joint Managing Director & CEO

#### Sri M.V. Subba Reddy

Whole Time Director & CFO

### NON EXECUTIVE DIRECTORS

#### Sri Ajeya Kallam

(Retd. IAS) Independent Director

#### Sri V.Ramgopal

ED in Indian Bank (Rtd.) Independent Director

#### Sri S. Pulla Rao

JC of Income Tax (Rtd.) Independent Director

#### Sri VSN Murthy

CGM APIDC (Rtd.) Nominee Director From IREDA

#### Smt. V. Bhargavi

Chartered Accountant, Independent Woman Director

## COMPANY SECRETARY & COMPLIANCE OFFICER

#### Sri Nandan Bisoi

## AUDITORS

### STATUTORY AUDITORS

#### M/s Chevuturi Associates

Chartered Accountants, Vijayawada.

### COST AUDITORS

#### Sri P. Srinivas

Cost Accountant, Hyderabad

### SECRETARIAL AUDITORS

#### M/s K.Srinivasa Rao & Co.,

Company Secretaries, Guntur

### INTERNAL AUDITORS

#### M/s Mastanaiah & Co.,

Chartered Accountants, Guntur.

## LISTING

#### Bombay Stock Exchange Ltd

Scrip Code - 530201

Scrip ID - KALLAM

ISIN: INE629F01025

## REGISTRARS AND SHARE TRANSFER AGENT

#### 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. E-mail : bsshyd@bigshareonline.com

## BANKERS

#### Andhra Bank

#### Indian Bank

#### Bank of Baroda

### Registered and Corporate Office :

Chowdavaram, Guntur-522019, A.P., India. Phones : 0863-2344016 / 10. E-mail : corp@ksml.in Website : www.ksml.in

CIN No. : L18100AP1992PLC013860

### Works :

#### Ginning, Spinning, Open End Plants :

Chowdavaram, Guntur-522019, A.P., India.

#### Weaving and Dyeing Plants :

Kunkupadu- 523264, Addanki, Prakasam (Dist.), A.P., India.

#### Hydel Plants :

Nelakondapalli (M)- 507160, Khammam (Dist.), Telangana, India



# MANUFACTURING FACILITIES IN AP & TELANGANA STATES



# LETTER FROM JMD & CEO



Dear Fellow Share holders,

Financial Year 2018-19 was a tough year for the company, we have maintained sales but the margins effected as Chinese textile manufactures stopped or severely restricted purchase of cotton yarn from India due to ongoing import restrictions by USA on China. This is impacting Textile Industry due to Chinese manufacturers substantially reducing import of their Raw material inventory cotton yarn levels as US-China 'trade war' comes into play.

Rising cotton prices are hitting profit margins of textile players due to their inability to pass on the high raw material cost to Customers. Yarn and fabric prices remained subdued there by impacting margins of textile industry. In addition USD/INR ratio remained volatile with large fluctuations.

## Procurement of Raw Material:

During the 1 st quarter of FY 2018-2019 cotton prices had gone up from Rs 38,000 to Rs 47,500 / candy. However the finished product costs remained stagnant. We have covered cotton in initial months, due to which we have some what insulated from cotton price increase.

Government had increased MSP of Kapas from Rs 4400 to 5500 per Quintal. Present cotton procurement season did not support the quality and price of Kapas.

The cotton price is around Rs.48000 to Rs.49000 per candy. Due to failure of monsoon the quality cotton is not available in the market. Generally we use 32 mm cotton for the NE 60 count. Now getting 30 mm cotton is difficult. Drought in the major growing states of Maharashtra, Telangana, Gujarat and Andhra Pradesh last year has resulted in lower output this year. Over and above, the quality of late picked crop is poor due to the paucity of moisture in the field.

Following are some of the mile stones achieved during year under Review.

## Progress of Works:

- 1. Ginning Unit :** We are added new ginning Shed. This will increase our present capacity of ginning.
- 2. Spinning & OE Units :** We have added a Lap former and comber for increasing combed yarn capacity in spinning division. The waste being automatically transported from spinning to OE by installing automatic evacuation machinery from VXL, this saved manpower of pressing the cotton wastes and physically transporting the same. This reduced the man power. We have installed spindle monitoring system on 12,240 spindles as first phase. This is helping to increase the productivity and reduce manpower.
- 3. Laying of underground water pipeline from Gundlakamma River to weaving unit:** Installation of water pipe line from Gundlakamma river to weaving unit is completed. The civil construction of pump house is in progress. Which result in better performance of dying unit.
- 4. Bank Facilities:** The long term credit rating of the company was upgraded by Rating agency "Brick Works Ltd." from-BBB to BBB which recognizes its comfortable position, strong business model, comfortable asset, quality parameters.

## An outlook for 2019

### 1. Captive power: Clean/Green Energy

We are working on reducing electricity cost. SITRA report on Energy monitoring is submitted. Operational Cost Optimization — Electricity is one of our biggest costs by adding captive power generation will reduce our operational costs. We are actively looking into possibility of adding Solar plants for captive consumption. Increasing our captive power generation will help us strengthen our PAT in the future.

We have total requirement of 40MW solar power to feed all the units. As first Phase we are looking at different options of adding 15MW of Solar power in a sustainable way. We may tap capital market for financing this project. Our fabric made of organic or BCI cotton in combination with clean energy will make our fabric more sustainable and attract clothing brands in the future.

### 2. Rights Issue :

The Board of Directors has recommended for rights issue up to Rs. 99.5 Million. After our initial IPO in 1995 we are approaching capital market now.

Your company is dividend paying company with growing earnings can be rewarding

*Our Green Initiative is keeping the area around the plants clean and healthy, while our sustainable business practices encouraging the Farmers in boosting the quality of their produce, While concurrently ensuring sustainable sourcing for the Company.*

in the long term. This year also the board recommended a dividend of 10%

Since 2012 onwards we are providing more useful information in your Annual Reports. The Company had been putting its best efforts to give maximum information to its share holders. For example, in 2018 Annual report we have given last 25 years glories history and has enumerate photos of all the past directors.

The success achieved in this glories history was literally a team effort. We stand committed to delivering on our long-term value proposition for shareholders: to grow revenue in line with or faster than the market; growth adjusted net income faster than revenue; make targeted, value-added investments; and return excess capital to

shareholders

We would like to take this opportunity to thank our employees, suppliers, business partners. We are truly blessed to have the loyal shareholders and we look forward to meet you in the ensuing share holder's meeting.

Sincerely  
The Management Board of KTL

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

Date : 11-05-2019

Place : GUNTUR



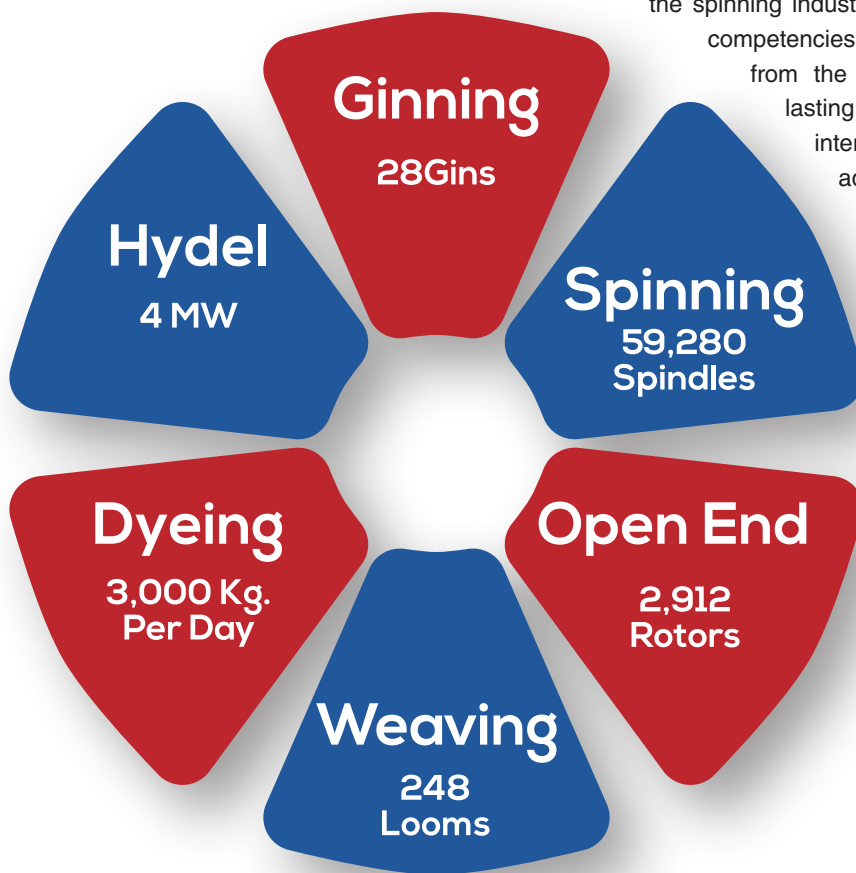


## OUR BUSINESS

Kallam Textiles Ltd. was founded in 1992, by Sri Kallam Haranadha Reddy, the founder promoter, with a desire to build a high quality yarn manufacturing company.

Kallam Textiles Limited is one of the largest producers of spun yarn for the knitting and weaving industries in the Andhra Pradesh. Offering a diverse product line to fulfil demands of customers worldwide, we have perfected our spinning processes by applying state-of-the-art automated technology and innovation to every phase of our yarn manufacturing process. We are recognized worldwide as the industry leader for spun yarns due to our continued focus on product quality and our commitment to extraordinary customer service.

### Installed Capacities :



Since cotton sourcing is single most important element in the spinning industry our focus has been to develop competencies in this area. We source directly from the farmers and have created long lasting relationship with our suppliers. Our international relationship gives us the advantage to source instantly from the global market

We have over two decades of experience in the industry segment, though, Kallam textiles is a relatively young company in terms of textile firms, the management team of Kallam Spinning has many years of experience in the yarn manufacturing field. Starting with one open-end spinning facility in Guntur, the company, since its inception.





## EMPOWERING INNOVATIVE LEADERSHIP

# OUR APPROACH TOWARDS BUSINESS



Corporate overview  
01 - 16

Statutory Reports  
17 - 75

Financial Statements &  
AGM Notice 76 - 132

# Human capital

## IMPACTS

- ❖ Health
- ❖ Education
- ❖ Skill development
- ❖ Accommodations
- ❖ Sports & Ethnicity
- ❖ Other Facilities, Amenities & Drinking Water



Our focus is on driving financial inclusion, underlined by our strong commitment to achieve socio-economic progress of our employees

We recognize the importance of employee engagement and welfare to the organization's long-term growth and value accretion. A series of events and celebrations were done during the year to further nurture our employee relationships

Employee empowerment is at the core of our Human Resource (HR) philosophy, and we remain committed to pursuing the best practices in talent management and growth. During FY19, we took various initiatives in line with this commitment. With our new initiative, we have embarked on the journey of further empowering our people through identification of their strengths, core skill-sets and areas of development. Based on this understanding, we are evolving individualized development plans for their training interventions and mentoring sessions. The exercise is aimed at helping employees grow in their own roles, while also facilitating their evolution as great leaders and superior human beings

**Training Intervention –** Our training interventions during the year were executed through Winning Through People - The objective of this program was to learn the difference between leadership & management, and empowering, motivating and inspiring the team members by effectively managing work & personal life.

We give our employees the authority and responsibility to make decisions affecting their work. Our employees take responsibility and accountability for their actions and work free from the petty bureaucratic environment. To empower is to give power, open up and to release the potential of people; embracing job involvement.